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Basic tax preparation as related to optometry

Abstract

Basic tax preparation as related to optometry

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Donald C. West

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BASIC TAX PREPARATION
AS RELATED TO
OPTOMETRY

by
Charles E. Dugnolle

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FORWARD

The subject of taxation elicits a wide range of responses (especially avoidance reactions) from virtually all people with income and property, and from many with neither. This attitude is most regrettable since taxation is vital to our government and our lives, and it can hardly be avoided. The truth is that taxpayers should take a more active interest in the laws and mechanics of taxation. It is hoped that this manuscript will provide an introduction by way of a simplified explanation of certain basic concepts.

INTRODUCTION

Numerous criticisms of our tax laws and the Internal Revenue Service are voiced each year by the news media, special interest groups and various individuals. It should be noted that while criticisms are abundant, few of the critics offer reasonable solutions to the very laws they criticize. It is also interesting that much of the criticism is from those organizations/groups/individuals with an "axe to grind." They usually try to excite the public with half-truths.

In the final analysis the concept of a "tax cut" is a political myth. A tax reduction by rebates, increased exemption value, or more deduction allowances, usually, sooner or later, results in a tax increase somewhere else. For example, if corporate taxes are increased to increase government revenue so that personal taxes may be reduced, we find that we must pay more for manufactured goods. The total cost to the taxpayer is basically unchanged.

The only way to reduce taxes is to reduce Government spending. There is no alternative. If taxes are too high, taxpayers should work through the political system to reduce government spending.

No taxation system could be perfect, and ours certainly has many shortcomings, but it is the best in the world today, and it is far better than most people realize.

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Charles E. Dugnette

28 April 1975

I. A brief history of Taxation in the United States.

The story of taxation in our country closely follows the history of the United States itself. For nearly a century, excise taxes and customs duties raised revenue sufficient for the developing countries needs. The financial demands of the Civil War brought the first income tax, a temporary measure, repealed within a decade and not revived successfully until early in the twentieth century. Since then the income tax has become an increasingly important source of revenue to meet the changing needs of a complex society. Americans haven't always had a voice in what their taxes would be or how they would be spent. In fact, one reason we fought the American Revolution was that we didn't have an effective voice in tax matters.

A. Taxes and the Colonies

As early as 1646, New Englanders paid a tax based on certain occupations which might be considered the ancestor of our income tax. However, as the British Empire grew, so did the cost of running it and England needed more money to pay these costs. One method of raising this money was the Stamp Act of 1765 which required placing tax stamps on such items as newspapers, advertisements, legal documents, bills of lading, notes, and bonds. The colonists protested this taxation without representation as an infringement of their liberties.

Their protests began to take a violent form when in 1773 a group of "rebels" protested Tea Act tax provisions by dumping 342 large chests of tea into the Boston Harbor. When Britain retaliated with new coercive laws, they only widened the split that eventually led to the revolution.

B. Revolutionary Times

The fight for our independence required enormous amounts of money and was financed largely by loans from sympathetic governments such as France.

After the revolution, the Articles of Confederation only allowed the Congress to ask for contributions from the states. By the time of the Constitutional Convention in 1787 it was apparent that a government could not be effective without the power to tax. So the new Constitution included such a provision. Because of their unpleasant experience with taxes, though, our Founding Fathers limited the Federal Government's powers of taxation in the Constitution. During George Washington's presidency, taxes were imposed primarily on distilled spirits, tobacco and snuff, refined sugar, carriages, property sold at auction, and bonds and various legal documents.

C. Taxes and the early 1800's

With the new century came a new President, Thomas Jefferson. At that time, the Government provided few services for the people, so revenue from customs duties was sufficient to cover the small costs involved. When the war debts were paid, it was possible for Jefferson to repeal the excise taxes initiated by Alexander Hamilton when he was Secretary of the Treasury. Thus the whole system for collecting internal taxes was abolished.

Tolling church bells in New England villages greeted the declaration of another war against England in 1812. It was a war nobody actually won. Yet the costs of waging it were so great that the Nation once more turned to internal taxation.

When the war ended and the need for funds subsided, excise taxes were repealed and, once again, customs revenues satisfied the need to finance the relatively few functions performed by the Federal Government. This condition continued until the Civil War.

D. Our first Income Tax

When the Civil War broke out in 1861, most people thought it would end quickly. But it continued on and on.

Costs of the war rose and continued to rise. To meet this tremendous financial need, Congress adopted the first of a series of revenue laws in August 1861. Among them: Our first income tax.

By the spring of 1862, however, the public debt was climbing ever more rapidly. Pressure was exerted on all sides to enact more effective tax legislation.

Finally, in July 1862, President Lincoln signed into law the most sweeping revenue producing measure in the Nation's history to that time.

The new law provided for progressive taxation, for levies on incomes and for tax withholding.

In addition to incomes, the new law taxed estates, public utilities occupations, liquors, tobacco, beer, banks, insurance companies advertisements, slaughtered cattle, railroads, ferryboats, and other specified commodities.

The law also provided for the beginning of a permanent tax collecting agency, the forerunner of the present Internal Revenue Service. Its first Commissioner was George S. Boutwell, a lawyer from Massachusetts. He organized an agency employing collectors who were paid a commission on how much they collected.

In 1863, the Secretary of the Treasury, Salmon P. Chase, was granted power to hire employees for the purpose of detecting fraud, thus

adding an enforcement function as an integral part of the Internal Revenue system.

E. A Period of Reduced Taxes

When the Civil War ended, the need for internal taxes again declined and Congress appointed a special commission to look into all phases of U.S. taxation. Although the commission recommended that income tax be continued, the pressure for revenue declined, and in 1872 income taxes were again repealed. By 1877, most levies had been removed and the Government returned to tariffs rather than taxation for income.

By this time, though, new reasons were becoming apparent for an income tax. In 1873, financial panic caused a period of uncontrolled credit, inflation, wild speculation, and over expansion. The country found itself entangled in unemployment, scandals in high places and corrupt practices. This and recurrent depressions which plagued our country in the 1870's, 89's, and 90's brought the rise of the Populist or People's Party. Made up of farmers and city labor groups, the Populists advocated an income tax not only as a source of revenue, but also as a symbol of reform. They campaigned for free coinage of silver, public ownership of telegraphs, telephones, and railroads -- and an 8-hour working day. Above all, they insisted on taxation as a means of regulating the economy, not just to provide revenue.

As mentioned earlier, though, our Founding Fathers had limited taxation powers of the Federal Government. The Constitution specifically prohibits direct taxes. Several times in our history, courts have ruled taxes unconstitutional because they were direct. One such ruling led to a constitutional amendment providing for an income tax. In the 1890's, Congress passed a tariff law providing for a small income tax. It was challenged in our Federal courts and was argued before the Supreme Court twice. The second time, in 1895, the court ruled it unconstitutional, essentially saying that any income tax was direct and therefore unconstitutional. The Income Tax Division in the Office of Internal Revenue was disbanded.

F. Tax Reform -- the Early 1900's

How could Congress enact another income tax in the face of the courts?

When William H. Taft became President in 1909, a new era was beginning and the country needed money. People were migrating to cities in huge numbers.

As a result of the need for revenue and a continuing clamor for tax reform, an amendment to the Constitution was proposed which would give Congress the power to tax without apportionment among the States. Taft also recommended that Congress pass a 2 percent excise tax on corporation incomes.

In August 1909, the corporation excise tax became law. It was called an "excise on the privilege of doing business," and it imposed a tax of 1 percent on net corporation incomes over \$5,000.

The 16th amendment to the Constitution was passed by Congress in 1909, but it was not ratified by 3/4 of the states until February 1913.

The Amendment provides that: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, and without apportionment among the several states, and without regard to any census or enumeration."

G. Taxes and World War I

The cost of World War I was to exceed any expenditure this Government had known -- more than the entire cost of the Federal Government from 1791 to 1917. World War I's cost to this country has been estimated at \$35 billion. About 1/3 of that was raised in taxes -- mostly from income tax. (By way of comparison, the 1975-76 U.S. Government Budget deficit may run as high as \$70 billion).

In 1917, internal revenue total receipts were less than \$1 billion. By 1918 they had mounted to \$3 $\frac{1}{2}$ billion and in 1920 a new high of \$5 $\frac{1}{2}$ billion. By that time, the workforce which did the collecting totalled 15,000 people.

With the end of the war there was a national longing to return to the climate of the pre-war years: little Federal Government, relative peace and calm, and low taxes. The business boom during the 1920's enabled taxes to be cut five times while receipts remained high; but the prosperity was only on the surface and in 1929 the stock market crashed, beginning the longest and most severe depression the country had ever known.

H. The Social Security Act

Congress and the President sought to take moderate steps to control the boom or bust economy and maintain a more even pace.

"The country asks for action, and action now," said the new President, Franklin D. Roosevelt, on Inauguration Day, March 4, 1933. "Our greatest primary task is to put people to work."

One of Roosevelt's major domestic achievements in his first term was the Social Security Act, which passed in 1935.

The new law provided several types of benefits. There were old-age retirement payments, financed by a payroll tax on both employer and employee. Jobless workers received financial compensation during fixed periods. And there was aid for the needy, the blind, the aged, and neglected. The Bureau of Internal Revenue was given the responsibility to collect the payroll taxes and turn them over to the Social Security Trust Fund to support these programs.

I. Effect of World War II

Until the World War II, income taxes had been levied on only a relatively small number of taxpayers. The War, however, changed all that, bringing the income tax to tens of millions of citizens. Where there had been only 8 million taxpayers, there were now 60 million.

After the War, tax rates were reduced and there was a slight reduction in the number of people who had to pay income taxes. Even so, there were still some 53 million taxpayers compared to the 8 million before the war.

With increasing population and continued economic prosperity, both the number of taxpayers and the amount collected increased steadily. By 1951, the huge increase in work load along with necessary expansion of its work force had outmoded Internal Revenue's organization, methods, and controls.

J. Reorganization of IRS

At that time, tax collections reached \$50 billion per year and 58,000 employees were needed to do the work. It had become increasingly clear that the Bureau of Internal Revenue needed reorganization to handle its growing job. In 1952, Congress voted a reorganization and became the Internal Revenue Service (IRS).

The major features of the reorganization were the abolishment of political appointments within Internal Revenue below the rank of Commissioner, and the decentralization of operations to field offices away from Washington to provide better service to taxpayers.

K. IRS Today

Today, the Internal Revenue Service has more than 74,000 permanent employees and, as indicated before, only the Commissioner is a political appointee. In addition to its headquarters in Washington, D.C., it has seven regional offices which oversee the work of ten data processing service centers, 58 district offices, and about 900 local offices.

Like any modern business firm, the Internal Revenue Service has recently increased its use of advanced business machines and methods. For the past several years, it has been converting records to an automatic data processing system. The heart of this system is a file of all taxpayer accounts that can be processed with the aid of high-speed computers.

Taxpayers may not notice major changes in dealing with the Internal Revenue Service, but they do benefit from automatic data processing. IRS is using data processing and other tools and technology to provide for better service for the taxpayer, such as giving rapid

information on the status of accounts. Data processing also makes revenue-producing and enforcing operations more effective so that every taxpayer is better assured that he and all other taxpayers are paying the correct tax.

We have seen that as the United States has grown from an infant agricultural nation to its present position as a world industrial and political power, the Federal Government has needed more and more money to meet its expanding responsibilities at home and abroad. Today income tax is the principal means by which the government raises that money.

As life in the nation has changed, so have the tax laws. There is nothing mysterious about the reasons for new tax laws coming into being.

The power to tax rests with the Congress of the United States, and the constitution provides that "all bills for raising revenue shall originate in the House of Representatives." In practice this means that normally proposals for new tax legislation are introduced in the House of Representatives and referred to the House Ways and Means Committee. These proposals may come from the President, from the U.S. Treasury, or from individuals or organizations who have complained to the Congressmen that provisions of the existing law are unfair. A tax bill follows the same course through Congress as other bills, with public hearing a part of the process in both the House and the Senate.

The income tax law of 1913, enacted by Congress soon after the 16th Amendment to the Constitution was ratified, was part of a tariff bill. It was congressional practice to periodically re-enact the existing revenue act with amendments. There were 14 revenue acts during the next 26 years that reflected the changes in the nation brought about by World War I, the prosperity of the 1920's, and the Depression of the 1930's.

L. Why Congress Changes Tax Rates

Taxes are levied primarily to pay for the domestic and foreign programs of the Government. Normally tax rates will rise as the government's need for money increases and falls as its need declines. But the power to tax serves other purposes as well.

Tax rates may be raised if there is danger of inflation, so people will have less money to spend; or lowered to increase spending if there is threat of a recession. Taxes are used in this way to keep the nation's economy in balance. In some cases Congress may decide that a particular industry or a group of taxpayers needs a specific kind of tax relief so it can provide a needed service to the nation. In other cases, as during World War II, Congress may decide that certain industries are making too much profit from providing needed services and may impose an excess profits tax on them to balance the tax burden.

M. Pay Only Your Fair Share

Congress is constantly petitioned by special interest groups asking for tax relief. The needs of the Government and the attitudes of the voters are of continuing concern to legislators. A primary consideration is that each taxpayer should pay only his fair share of the nation's taxes.

"Ability to pay" has always been a basic principal underlying the income tax laws of the United States. Because of this, the tax is based on graduated, or progressive rates that now range from 14 percent for the lowest level of taxable income to 70 percent for any portion that falls within the highest income bracket. In 1959 the lowest rate was 20 percent and the highest 91 percent. The principle of ability to pay is also expressed in the allowance of exemptions for the taxpayer, his wife, and dependents, in the deductions allowed all taxpayers in arriving at their taxable income, and in the low income allowance provided for in the Internal Revenue Code.

N. Voluntary Compliance and Self-Assessment

Two aspects of the Federal Income tax system -- voluntary compliance with the law and self-assessment of tax -- make it important for you to understand your rights and responsibilities as a taxpayer. "Voluntary compliance" places on the taxpayer the responsibility for filing an income tax return. You must decide whether the law requires you to file a return, and, if it does, you must file your return by the date which it is due. Because of the "self-assessment" provision, you also must learn how to determine the amount of tax you owe the government, and you must pay the tax or request a refund if you have overpaid because tax is withheld from your pay exceeding your tax liability.

II. General Information

A. Basic Concept

1. Tax Evasion

- a. The underpaying of income tax by filing a fraudulent return, or by not filing a return at all
- b. Punishable by a fine and/or imprisonment in addition to the unpaid tax
- c. Imprisonment is rarely if ever used since an income producer would not be able to pay more tax if deprived of the opportunity to earn more income

2. Tax Avoidance

- a. The use of so-called "loop-holes" to minimize the annual tax bill
- b. In effect, the use of every advantage in the labyrinth of tax laws to pay the least amount of tax
- c. The Internal Revenue service encourages taxpayers to use every legal means to minimize their tax. It is important to remember that the money thus saved is thus returned to the economy in the form of new investments or purchases
- d. When returns become complicated, occasional consultations with the Internal Revenue Service representatives should be used to obtain special rulings

B. A Secondary Concept (Dugnolle's Concept)

1. The usual attitude is that once a tax return is completed and submitted to the IRS, the entire sordid affair is best relegated to limbo until the beast rears its ugly head again, and must be forcibly subdued once again.
2. This is an unfortunately negative attitude which only nurtures the emotional side effects of resentment and sometimes guilt.
3. No one wants to or enjoys paying taxes or preparing tax returns, but we all must. Since we must, why not take a positive approach and use the preparation of taxes as a time to reassess one's financial affairs and seek methods of improving the efficiency of one's business and record-keeping.
4. For self-employed persons, such as optometrists, tax paying and preparation is a continuous year-long process; and therefore the development of positive attitudes is even more important.

5. If the tax return is prepared with the idea that it may serve as an annual summary of all business and personal expenditures, the entire process may become educational and considerably less aggravating.

C. Terminology and Concepts

1. IRS - The Internal Revenue Service of the Department of the Treasury
2. Filer
 - a. The principle signer on a single, head of household, married filing jointly, or married filing separately return
 - b. The party filing the return
 - c. On a joint return, usually the husband when:
 - 1) only the husband had an income
 - 2) when the husband and wife had an income
 - 3) the wife only, had income
 - d. If only the wife had income, in the event of an invalid or incapacitated husband, the wife may become the filer. This is especially important if the husband is not able to sign the return or if the husband died during the tax year.
 - e. It is important to be consistent, since returns are recorded and filed under filer's Social Security number
3. Spouse - the husband or the wife is the filer
4. Method of Accounting
 - a. Definition
 - 1) is that set of rules under which you determine when and how to record income and expenses; and
 - 2) how to prepare the profit and loss statement for the accounting period
 - b. Essentials that must be considered in record maintenance
 - 1) inventories are required in all cases where the production, purchase, or sale of merchandise is an income producing factor.

In the future this may prove to be troublesome for those optometrists not on the RSV fee schedule; in fact, may cause some difficulty for the whole profession.

- 2) Expenditures must be classified properly as between capital expense; and

- 3) Any expenditure (other than for ordinary repairs) made to restore property or prolong the useful life of a depreciable asset must be charged to the property account or appropriate reserve and not to current expenditures

c. Permissible Methods

- 1) Cash receipts and disbursements method
 - a) requires inclusion of all income actually or constructively received during the year
 - b) property and services received must be included at their fair market value
- 2) Accrual method
 - a) under this method, all items of income are included in gross income when earned, even though payment may be received in another tax year
 - b) advance payments need not be included as income until the service is performed, i.e., until the income is earned
 - c) in addition, expenses may be included when incurred, even though they may not be paid until another tax year
- 3) Special methods
 - a) such as those for installment sales and long-term contracts; and
 - b) any other method that clearly reflects income, including combinations of the above methods, are acceptable.

In essence, any method is acceptable as long as it clearly reflects income and expenses.

d. Changing the Method of Accounting

- 1) a taxpayer filing his first return may, without the consent of the Internal Revenue Service Commissioner, choose any method of accounting if appropriate
- 2) the method must clearly reflect income and be applied consistently
- 3) thereafter, any change in accounting method requires prior consent of the Commissioner
 - a) changing is not forbidden
 - b) but prior consent is required
 - c) this is necessary to put the Internal Revenue Service on notice that a change is being made, and
 - d) to prevent a taxpayer from gaining an unwarranted tax advantage
- 4) the problem stems from the fact that a change in accounting method includes a change not only in the overall system of accounting but also in the treatment of any particular material item
- 5) examples of changes requiring consent
 - a) a change from the cash to accrual methods or accrual to cash method
 - b) a change in the method or basis used in the valuation of inventories

- c) a change in the method of computing depreciation
- d) a change from the cash or accrual methods to the long-term contract method or vice versa

e. Accounting Periods

- 1) every taxpayer must compute his taxable income and file a return on the basis of a period of time called a tax year
 - a) a tax year
 - (1) usually 12 consecutive months
 - (2) it may be a calendar year or a fiscal year
 - (a) calendar year - 12 consecutive months ending on December 31
 - (b) fiscal year - 12 consecutive months ending on the last day of any month other than December, or a 52-53 week year
 - (3) under certain conditions the tax year may be less than 12 months, but it may not be more than 12 months unless the accounting period is a 52-53 week year
- 2) establishing the tax year
 - a) a new taxpayer may adopt either a calendar or a fiscal year
 - b) the first tax year must be adopted on or before the time prescribed by law for the filing of a return for that tax year
 - c) tax year of a partnership
 - (1) if the principal partners (those having more than a 5 percent interest in the partnership) have different tax years, a newly formed partnership may adopt the calendar year without prior approval of the Internal Revenue Service
 - (2) the newly formed partnership may also adopt the tax year of all of its principal partners (or the tax year to which all principal partners are concurrently changing) without prior approval
 - (3) however, if the new partnership wishes to adopt any other tax year, it must first get the approval of the Internal Revenue Service

Important to remember: Each taxpayer after filing his first return has established a tax year (accounting period). Changing the period due to a change in business does not always require permission from the Internal Revenue Service, but it is certainly advisable to at least notify them to avoid problems later.

f. Retention of Records

- 1) herein lies one of the most widespread misconceptions relating to tax law
 - a) the notion is that there is some sort of magic year beyond which all records may be destroyed

- b) this misconception is even nurtured by our own National Board of Examiners in Optometry who insist on including questions regarding the length of time tax and financial records must be retained
 - 2) the sordid truth is
 - a) there is no statute of limitations
 - b) records may be retained through necessity, forever
 - c) the forever rule applies to all taxpayers, whether an individual wage earner or a corporation
 - d) the rule is not absolute
 - e) if a taxpayer purchases a house, lives in it 20 years and sells it, he will need his purchase records to help determine the gain on the sale for determination of tax on the gain
 - f) if a taxpayer purchases a house, lives in it 40 years, until his death, all record including the cost of improvements will be needed to determine inheritance tax due from the estate
 - 3) Dugnolle's Rule
 - keep all financial records; it may be a burden, but it beats losing a dispute with the IRS
5. Gross Income (GI)
- a. Gross income is the starting point for determining how much income tax is to be paid
 - b. It includes all income in any form such as
 - 1) money
 - 2) property
 - 3) services --
 not expressly exempt by law
 - c. Major categories of income include
 - 1) wages, salaries and other earnings
 - 2) income from tips
 - 3) interest income
 - 4) dividends and other corporate distributions
 - 5) rent and royalty income
 - 6) some pensions and annuities
 - 7) capital gains and losses
 - d. Minor categories include
 - 1) directors fees, notary fees
 - 2) jury duty fees
 - 3) fees paid to elect precinct officials
 - 4) executors or administrators fees
 - 5) alimony payments
 - 6) side commissions such as kick backs and push money
 - 7) gambling winnings
 - 8) prizes and awards, whether in cash, services, or merchandise

- e. Examples of non-taxable income include;
- 1) Federal income tax refund
 - 2) accident and health insurance proceeds
 - 3) cost of living allowance paid to U.S. employees, state and outside the U.S.A.
 - 4) life insurance proceeds
 - 5) military pay in a war zone (enlisted men)
 - 6) social security payments
 - 7) scholarships, fellowships, and grants
 - 8) unemployment compensation

6. Adjusted Gross Income (AGI)

- a. Adjusted gross income is the gross income less the following deductions or adjustments
- 1) Ordinary and necessary business expenses other than as an employee
 - 2) Ordinary and necessary expenses and certain other deductions in connection with property held for producing rents and royalties
 - 3) Outside salesmen expenses in earning a salary, commission, or other compensation
 - 4) Expenses incurred by an employee in connection with performance of services as an employee
 - 5) Sick pay, if it is included in gross income
 - 6) Certain losses on sales or exchange of property
 - 7) 50 percent of the excess of net long-term capital gains/losses over net short-term gains or loss
 - 8) Payments by self-employed persons to their own retirement plan (KEOUGH Plan)

- b. Usually the above items are referred to as adjustments to gross income rather than as deductions

7. Deductions

- a. There are two methods of taking deductions
- 1) the standard deduction
 - 2) itemized deductions on Schedule A (Form 1040)
- b. The taxpayer should use the standard deduction only if;
- 1) the Form 1040A is used
 - 2) it amounts to more than the total of the itemized deductions
 - 3) when a married couple files separately, one spouse uses a standard deduction, then the other spouse must use the standard deduction also
- c. A husband and wife filing separate returns should use the method of claiming deductions most beneficial to them as a unit, even though it may be less advantageous to one of them

IMPORTANT: As stated above, they must both use the same method of claiming deductions. Either they both must use the standard deduction or they both must itemize their deductions.

d. The Standard Deduction

- 1) is an allowance used to reduce the adjusted gross income when deductions are not itemized
- 2) is used in lieu of Schedule A
- 3) is normally the larger of
 - a) the percentage standard deduction
 - b) the low income allowance
- 4) if the AGI is less than \$10,000 the standard deduction is automatically considered in the Optional Tax Tables. If the AGI is less than \$10,000 the deductions may still be itemized if it is advantageous
- 5) if the AGI is \$10,000 or more, the percentage standard deduction is limited to 15 percent of the AGI minimum with a maximum deduction of \$2,000; or \$1,000 if married and filing separately.

e. Itemized Deductions

- 1) the following are examples of deductible expenses reported on Schedule A, Form 1040
 - a) charitable contributions
 - b) interest and taxes of a non-business nature
 - c) medical and dental expenditures
 - d) alimony paid
 - e) child care
 - f) certain educational expenses
 - g) certain business related expenses
- 2) it may be beneficial to itemize deductions if the taxpayer
 - a) is a homeowner and paid interest and taxes
 - b) had uninsured medical expenses
 - c) paid alimony
 - d) made large contributions to qualified charities
 - e) suffered major uninsured casualty losses
- 3) the following taxpayers are required to itemize their deductions
 - a) non-resident aliens
 - b) estates and trusts
 - c) U.S. citizens entitled to special benefits for income from a U.S. possession other than Puerto Rico
 - d) individual filing short year returns because of changes in accounting periods
 - e) married persons filing separate returns if one spouse itemizes

8. Exemption - the allowance of \$750 (1974) provided for each filer, spouse, and dependent

9. Dependent - a person, qualified by compliance with the five dependency tests, entitled to an exemption on the tax return of a married couple or head of household claiming the dependent

10. Taxable Income (TI)

- a. unfortunately this term has two meanings
- b. the first meaning refers to that income which is, by law, taxable or reportable
- c. the second refers to the amount of income left after adjustments and deductions have been subtracted, and upon which the tax computation is based

11. Depreciation - the annual deductible value attributed to the wear and tear of a capital asset when used for the production of income

12. Amortization

- a. the accounting technique that permits recovery of certain capital expenditures in a manner similar to depreciation
- b. if the estimated useful life of the improvement is longer than the remaining period of the lease, the deduction is taken in the form of an annual charge against gross income known as amortization
- c. the amortization deduction is the unrecovered cost of the improvement divided by the number of years remaining in the terms of the lease. Re: office remodeling

13. Filing Date

- a. April 15th is the filing date for filing the income return if the accounting period uses the calendar year
- b. if a fiscal year is used, the tax return is due on or before the 15th day of the 4th month after the close of the fiscal or tax year
- c. the above is the statement of IRS rule. In practice there is one major variation that is unknown to the average tax payer
 - 1) if the filer owes tax, that is, after the return has been completed, and the determination indicates a balance due the IRS, the deadline is as stated above
 - 2) if, however, the filer is entitled to a refund, the filing date regulation is generally ignored
 - 3) to state it more simply, if the taxpayer owes the IRS, they (the IRS) are most anxious that the taxpayer comply with the filing deadline. Failure to do so constitutes tax evasion
 - 4) if on the other hand, the taxpayer is entitled to a refund, the deadline is ignored and the return may be filed any-time within 3 years. After the 3rd year, the IRS considers the matter closed and the filer will not be able to claim the refund
 - 5) this variation only applies to wage earners. Any taxpayer required to file an estimated tax must follow the regulations rather carefully.
- d. extension of time to file
 - 1) a taxpayer may receive an automatic two-month (60 day) extension of time to file the return by completing, in duplicate, Form 4868

- 2) the original of Form 4868 must be filed by the regular deadline with IRS center for the taxpayer's district
 - 3) full payment of any tax due must accompany the application (Form 4868)
 - 4) the duplicate Form 4868 should be attached to the face of the completed return as evidence of the extension
 - 5) payment made with the original Form 4868 must be entered on the appropriate line of Form 1040
14. Fair Market Value (FMV) as a basis
- a. FMV represents the price at which the property would change hands between a willing buyer and a willing seller
 - b. sales of similar property, on or about the same date may be used or may be helpful on or about the same date
15. Basis - generally, the investment in a capital asset. Cost is a basis
- a. the amount paid for a capital asset in cash or other property
 - b. Examples
 - 1) a phoropter purchased for \$2000 has a basis of \$2000
 - 2) if an automobile with a fair market value of \$1800 is traded for a phoropter with a FMV of \$2000, then the basis of the phoropter is \$1800 to the new owner. The former owner of the phoropter must pay tax on the \$200.00 gain.
 - 3) if the automobile and \$400.00 cash had been traded for the phoropter, then the basis of the phoropter to the new owner would be \$2200. The former owner of the phoropter must pay tax on the \$200.00 gain.
16. Direct Taxes - those taxes imposed on the citizen, resident, or wage earner. The income tax is only true example
17. Indirect Taxes - those taxes imposed on businesses and corporations on consumer good. Examples:
- a. corporate taxes - all too often politicians coast into office on tax reform based on higher corporate taxes to ease the burden of the taxpayer (and get his vote). The end result is, of course, higher prices. Guess who pays.
 - b. tariffs
 - c. sales tax
 - d. real estate tax

D. Who Must File?

1. If a person meets any one of the following requirements:

- a. General Rule
- b. Self-employed person
- c. Executors, administrators, or legal representatives
- d. U.S. citizens living abroad
- e. Residents of Puerto Rico
- f. Dugnolle's Rule

2. General Rule

- a. the filing requirement for a U.S. citizen or resident depends upon his income, age, and marital status
- b. a single individual
 - 1) under age 65, must file a return if he had a gross income of \$2050 or more
 - 2) if the individual is age 65 or older the gross income requirement is \$2800
 - 3) claimed as a dependent by another taxpayer must file a return if he had a gross income of \$750 or more and if he received any unearned income

c. married persons

- 1) must file a tax return if the combined gross income of both spouses is \$2800 or more provided
 - a) they file a joint return
 - b) they are living together at the end of the year
 - c) that they are both under 65 years of age

Living together in the context used here means the maintenance of a single tax home. The couple may not actually be living together as would be the case of a husband in the armed forces on duty over seas. The point is that the couple be legally married and not separated by a legal separation or an interlocutory divorce decree

- 2) the gross income requirement is \$3550 if one spouse is age 65 or older
- 3) the gross income requirement is \$4300 if both are age 65 or older
- 4) the gross income requirement is \$750 if (under age 65);
 - a) they file separate returns
 - b) they do not share the same household at the end of the year
 - c) another taxpayer is entitled to claim an exemption for either spouse

- d. If a taxpayer had uncollected (by the IRS) social security tax on tips, a return must be filed regardless of age or the amount of income received

3. Self-employed Person
 - a. a self-employed person must file a return if net earnings are \$400 or more regardless of age or other sources of income
 - b. self-employment income is subject to a self-employment tax which is comparable to the FICA (Social Security Tax) withheld from employee's wages
 - c. certain individuals are exempt from FICA tax. They are employees of:
 - 1) international organizations
 - 2) foreign governments
 - 3) wholly owned instrumentality of a foreign government
4. Executors, Administrators, and Legal Representatives
 - a. these taxpayers are required to file the return of the decedent if at the date of death the decedent had satisfied the requirement for filing as shown for the General Rule, or Self-employed Person
5. U.S. Citizens Living Abroad
 - a. are required to file if they met the requirements for either the General Rule or the Self-employed Person
 - b. there are some exceptions but they are not relevant to the primary topic of this paper. For details see IRS Publication 54
6. Residents of Puerto Rico
 - a. the taxpayer must be a bona fide resident of Puerto Rico
 - b. gross income for this purpose does not include income from sources within Puerto Rico
 - c. except income received for service performed as an employee of the U.S. or any U.S. agency
7. Dugnolle's Rule
 - a. if a taxpayer has regularly filed a return each year, it is advisable to file a return for a year in which there is no or a non-reportable income
 - b. Why? Simply because it explains to the IRS that there was no income for that year. It eliminates the need for the IRS to investigate and answer the question for themselves.
 - c. in addition it is wise to attach a reasonably detailed explanation as to why there was no income and how the necessities of life were obtained without an income
 - d. this rule is especially important where the filer has previously reported substantial incomes, and suddenly changes to a no or low income status

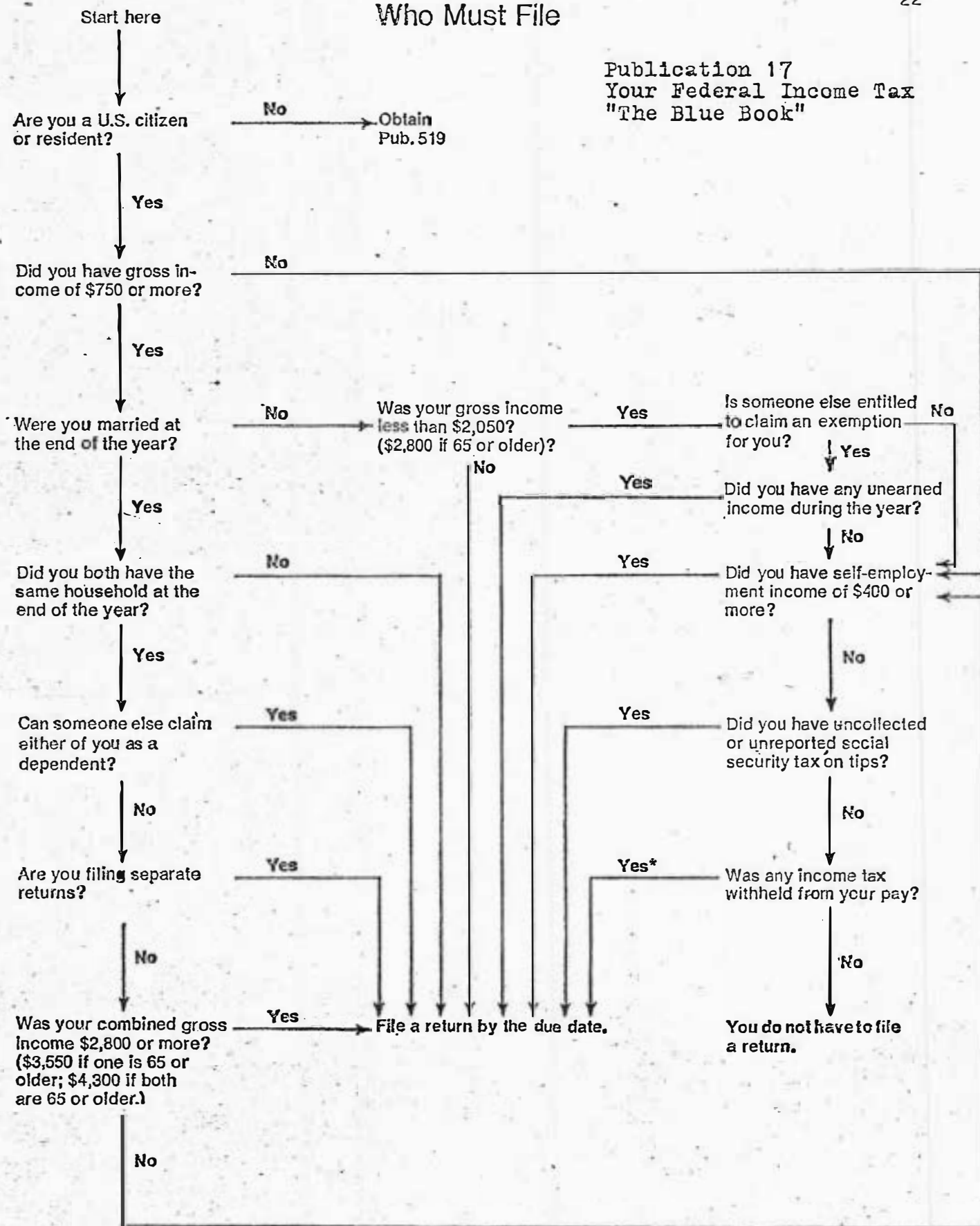
E. How to File

1. Filing Status
 - a. categories
 - 1) single
 - 2) married filing jointly
 - 3) married filing separately

- 4) unmarried head of household
 - 5) widow(er) with dependent child
- b. filing status determines which Tax Rate Schedule or Optional Tax Table must be used to arrive at the correct tax
- c. single
- 1) includes all taxpayers that do not qualify for one of the other categories
 - 2) claims only one exemption
 - 3) may use either Tax Rate Schedule X or Optional Tax Table 1, depending on income and deductions
- d. married filing jointly
- 1) in order to file a joint return, a couple must be married
 - 2) marital status as defined for tax purposes by the IRS is as follows:
 - a) a couple is considered married for the entire year if on December 31 they are;
 - (1) married and living together as husband and wife
 - (2) living together in a common-law marriage that was recognized by the state where the common-law marriage began
 - (3) married and living apart, but not legally separated under a decree of divorce or separate maintenance
 - (4) separated under an interlocutory decree of divorce
 - b) deceased spouse
 - (1) if a spouse died during the year, the filer is considered married for the entire year
 - (2) if the filer did not remarry before the end of the year, the filer may file a joint return with the deceased spouse for the year of death
 - 3) the joint return must include all income, exemptions and deductions of both husband and wife
 - 4) the husband and wife must both use the same accounting period, but may use different accounting methods
 - 5) both husband and wife must be either U.S. citizens or resident aliens for the entire tax year
 - 6) both husband and wife must sign the joint return
 - a) if one spouse is traveling, the return must be mailed to him/her for signing
 - b) if one spouse is unable to sign the return for any reason other than illness, one spouse may sign for the other only with the legal power of attorney to do so
 - c) if illness prevents a spouse from signing the return (incapacitated), the other may, with oral consent sign his or her name on the return followed by the words "By (signer's name), husband/wife"; a dated, signed statement must be attached to the return stating
 - (1) the identification of the filers
 - (2) the tax year
 - (3) the reason for the spouse's inability to sign the return
 - (4) that the spouse has consented to the other spouse signing the return for him/her

Who Must File

Publication 17
Your Federal Income Tax
"The Blue Book"



***You are filing for a refund of tax.**

- 7) a couple filing a joint return must use Tax Rate Schedule Y or one of the Optional Tax Table 2 through 12 (depending on the total number of exemptions)

e. married filing separately

- 1) if a husband and wife each had income they may file separate returns instead of a joint return
- 2) each may claim only their own income, exemptions and deductions (the children's exemptions would be split)
- 3) they may file separately even if only one had income
- 4) when filing separate returns, if one spouse itemizes deductions, the other must itemize deductions also. If one spouse uses the standard deduction, the other spouse must also. (See Section II. C. 7.). The two returns must use the same method
- 5) in theory, there may be occasions when it may be to an advantage to file separately
 - a) to be sure, the tax should be determined as joint return and as married filing separately
 - b) if there is an advantage for separate returns, the conditions for such an advantage are obscure
- 6) if the Tax Rate Schedule is to be used for the tax determination, the special section of Schedule Y for "Married Taxpayers Filing Separate Returns" must be used
- 7) if the Optional Tax Tables are used, the special column for "Married Filing Separate" must be used for tax determination

f. unmarried head of household

- 1) requirements
 - a) the filer must be unmarried on the last day of the tax year
 - b) the filer must maintain a household and,
 - c) contribute over half the cost of maintaining the household
 - d) the household so maintained must be the principle place of residence for at least one relative for an entire year except;
 - (1) the mother and/or father of the filer
 - (2) the mother and/or father must qualify as a dependent of the filer
 - (3) the parent(s) must live in a home provided by the filer for the entire tax year
 - (4) a rest home or home for the aged qualifies for this purpose
 - e) an unmarried child, grandchild, stepchild, or adopted child must live with the filer in the principal residence of both. The child need not be a dependent of the filer
 - f) any other relative must live with the taxpayer and must also qualify as a dependent
- 2) the taxpayer claiming head of household status must use either Tax Rate Schedule Z or the "head of household" column in the Optional Tax Tables

g. widow(er) with dependent child

1) requirements

- a) the spouse must have died within the two tax years preceding the year for which the tax is being computed
 - b) the filer must have been entitled to file a joint return with the spouse for the year of death. Whether actually filed jointly is immaterial
 - c) the filer must not have remarried
 - d) the filer must have a child or stepchild who qualifies as a dependent
 - e) the filer must furnish over half the cost of maintaining a home, which is the principal residence of the dependent child or stepchild
- 2) the widow(er) may compute the tax by including only her income, exemptions, and deductions but use the Tax Rate Schedule for "married filing joint return," Schedule Y, or the married filing jointly column of the Optional Tax Tables
- 3) the year of death is the last year in which the filer may claim the exemption of the deceased

2. Exemptions

a. the filer

- 1) each filer is entitled to claim a personal exemption of \$750 (1974)
- 2) if the filer is 65 years of age or older on December 31 he/she may claim an additional \$750 exemption
- 3) if the filer is certified legally blind on or before December 31, he/she may claim an additional \$750 (1974) exemption. A statement from an optometrist or ophthalmologist must accompany the return

b. the filer's spouse

- 1) if a joint return is filed, the exemptions for age and blindness may also be claimed
- 2) the spouse need not have an income
- 3) if the spouse had an income, the filer may claim the exemptions only if a joint return is filed
- 4) it is important to remember that the spouse is not a dependent. The exemption is permitted only by reason of the marital status
- 5) deceased spouse
 - a) if over age 65 at the time of death, the additional exemptions may be claimed for the return for the year of death if the spouse was entitled when living
 - b) if the filer remarried during the year, no exemptions for the deceased may be claimed
- 6) divorced or legally separated - if divorced or legally separated on December 31, the filer may not claim his/her former spouse's exemption even if he/she contributed all of her/his support

c. the dependents

- 1) the filer is entitled to an exemption of \$750 (1974) for each person who qualifies as a dependent by meeting the dependency tests
- 2) the additional exemptions for age and blindness may not be claimed for a dependent
- 3) newborn children
 - a) a child born on December 31 is entitled to a full \$750 (1974) exemption
 - b) if a child is born alive, and is so considered by state or local law, and is so evidenced on the certificate of birth, the exemption may be claimed even if the child dies soon after birth
 - c) an exemption for a still born child may not be claimed, but the medical expenses may be claimed on Schedule A. Remember, burial expenses are not deductible.
- 4) a deceased dependent
 - a) if a dependent died during the year, and the dependency tests were met for the part of the year the dependent lived, the filer may claim the full exemption

3. Dependency Tests

the following five tests must be met for a person to qualify as a dependent:

a. Support Test

- 1) the filer must furnish over 50 percent of the dependent's total support during the calendar year
- 2) the dependency determination is based on cost, not on the period of time
- 3) support items include food, lodgings, clothes, medical expenses, etc.
- 4) not included as support items are items such as purchases of capital assets (automobile, TV set, radio, etc.)

b. Gross Income Test

- 1) generally, a person may not be claimed as a dependent if he/she had a GI of \$750 (1974) or more for the year
- 2) Gross Income is all money, property and services that is not expressly exempt from tax
- 3) exceptions
 - a) if a dependent child is less than age 19 at the end of the tax year, the Gross Income Test does not apply
 - b) the dependent may have any amount of income and still be claimed as a dependent provided the other 4 tests are met
 - c) if a child is a full-time student the Gross Income Test does not apply, regardless of age, provided the other 4 tests are met
 - (1) to qualify as a student, the child must during some part of each of 5 calendar months be:
 - (a) enrolled at an educational institution that maintains a regular faculty and curriculum and has a body of students in attendance

- (b) enrolled for the number of credits considered to be full-time attendance
- (2) vocational schools which include on-the-job experience are considered as full-time schools
- (3) limitations
 - (a) night school and/or correspondence schools do not qualify for the Gross Income Test

c. Member of Household Test

- 1) if a person is a member of the filer's household and lives with the filer for the entire year, he need not be related to the filer for the filer to claim the person as a dependent
- 2) temporary absences from the filer's home for purposes as vacation, school or sickness will not disqualify the person as a dependent. Indefinite confinement in a nursing home for constant medical care is considered a temporary absence
- 3) an individual is not a member of the filer's household if at any time during the filer's tax year the relationship between the filer and the individual is in violation of local law
- 4) certain dependents need not live with the taxpayer to be eligible as a dependent
 - a) a child (natural or adopted), grandchild, great grandchild, etc.
 - b) the stepchild of the filer, but not the stepchild's descendants
 - c) brother, sister, half brother, half sister, stepbrother, or stepsister
 - d) parent, grandparent or other direct ancestor
 - e) stepfather or stepmother
 - f) uncles and/or aunts
 - g) nephews and/or nieces
 - h) in-laws, (father, mother, brother, sister)
- 5) once the above relationships have been established by marriage, they will not be terminated by death or divorce
- 6) prior to legal adoption a child in the home of the future parents is considered a dependent from the time the child became a member of the household, if he/she was placed in the home by an authorized adoption agency
- 7) a foster child must reside with the taxpayer filer as principal place of abode for an entire year to be considered a dependent
- 8) if a joint return is filed, relationship to the filer and spouse need not be shown; relationship to one or the other is sufficient
- 9) if separate returns are filed, husband and wife may each claim as a dependent only their own dependents. They may not switch dependents around to gain a tax advantage

d. Citizenship Test

- 1) the dependent must be a citizen or national of the U.S., or a resident of the U.S., or a resident of Canada, Mexico, the Panama Canal Zone, or the Republic of Panama for some part of the year for which the exemption is claimed

- 2) children are usually citizens or residents of the country of their parents

e. Joint Return Test

- 1) an exemption is not allowed for a dependent if he/she files a joint return with his/her spouse
- 2) an exception to the above is allowed if neither the dependent nor the spouse is required to file a return but they do so only to recover tax withheld

f. Discussion

The area of dependency claims is probably one of the most troublesome areas in tax preparation. It is the source of many delays, audits and other problems through intentional and unintentional errors. For this reason the IRS is especially alert to returns claiming dependents that are not children of the filer. It is advisable that when a return is submitted with a non-child exemption claim, that corroborating evidence such as copies of notarized statements of dependency and support be attached to the return.

III. The Personal Return

A. Form 1040A

1. The "Short Form" may be broken down into seven sections
 - a. Taxpayer Identification
 - b. Filing Status
 - c. Exemption Determination
 - d. Income Summary
 - e. Tax Determination
 - f. Tax and Credits Report
 - g. Oath of Accuracy

2. Taxpayer Identification

Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Present home address (Number and street, including apartment number, or rural route)			Spouse's social security no.
	City, town or post office, State and ZIP code			Occupation	Yours ► Spouse's ►

- a. all entries, name, address, social security number and occupation must be accurate
- b. mistakes may delay the processing of the return
- c. an error in the social security number may be the cause of trouble for several years with the charges of tax evasion being leveled against the taxpayer

3. Filing Status

Filing Status—check only one:

- 1 ☐ Single
- 2 ☐ Married filing joint return (even if only one had income)
- 3 ☐ Married filing separately. If spouse is also filing, give spouse's social security number in designated space above and enter full name here ► _____
- 4 ☐ Unmarried Head of Household
- 5 ☐ Widow(er) with dependent child (Year spouse died ► 19__)

- a. the filer merely checks a box representing the correct filing status
 - b. this also identifies which of the;
 - 1) columns in the Optional Tax Tables the filer will use for tax determination if his/her gross income is less than \$10,000 and uses the standard deduction
 - 2) Tax Rate Schedules X, Y, or Z the filer will use for tax determination if his/her gross income is \$10,000 or greater
- #### 4. Exemptions Determination
- a. the filer merely checks the boxes representing the appropriate exemption classification for filer and spouse, and enters the total in the column at the right

Exemptions	Regular / 65 or over / Blind	
6a Yourself	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Enter number of boxes checked ▶
b Spouse	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
c First names of your dependent children who lived with you _____		
		Enter number ▶
d Number of other dependents (from line 26) . . . ▶		
7 Total exemptions claimed . . . ▶		

b. the names of children must be given and the total number of children's exemptions must be entered on Line 6c

c. Other Dependents

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
						\$
26 Total number of dependents listed in column (a). Enter here and on line 6d . . . ▶						

- 1) if dependents other than children are to be claimed the total number of such dependents is entered in the column at the right, Line 6d
- 2) a special space at the bottom of page two is provided for additional information concerning the "other dependent." The data must be provided if the exemption is to be allowed.

d. the total number of exemptions is entered on Line 7

5. Income Summary

9	Wages, salaries, tips, and other employee compensation . . . (Attach Forms W-2, if unavailable, attach explanation.)	9	
10a	Dividends (See instructions on page 3) \$	10c	
11	Interest income	11	
12	Total (add lines 9, 10c, and 11) (Adjusted Gross Income)	12	

- a. all wages, salaries, tips, and other employee compensations are totaled and entered on Line 9. All incomes should be substantiated by the employer who supplies W-2 forms or some sort of statement for the taxpayer filer
- b. dividends are entered on line 10A and the exclusion on Line 10B. The total is then entered on line 10C.

Note:

- 1) the exclusion is an adjustment of \$200 for married couples filing a joint return and
- 2) \$100 for married couples filing separate returns
- 3) the exclusion is \$200 for single persons and heads of household

- c. interest income is totaled and entered on Line 11
- d. lines 9, 10c, and 11 are added together and the total is entered on Line 12. This is the Adjusted Gross Income

6. Tax Determination

- a. the IRS will compute the tax if the filer so desires. The filer need only;

13	If line 12 is \$10,000 or more, enter 15% of line 12 but not more than \$2,000 (\$1,000 if line 3 checked)	13	
14	Subtract line 13 from line 12	14	
15	Multiply total number of exemptions claimed on line 7 by \$750	15	
16	Taxable income (subtract line 15 from line 14) (Figure tax on amount on line 16 using Tax Rate Schedule X, Y, or Z, and enter on line 17.)	16	

- 1) complete the sections on taxpayer identification, filing status, and exemptions, and
 - 2) mail the above information along with the W-2 forms to the IRS
- b. if the total income is less than \$10,000 the filer may use the Optional Tax Tables
- 1) care must be taken to use the Table that corresponds to the total number of exemptions claimed
 - 2) also, it is important that the correct column, coinciding with the correct filing status, in the tax table be used.
 - 3) the tax is entered on Line 17
- c. if the total income is \$10,000 or greater, then the tax must be computed using the Tax Rate Schedules
- 1) the first step is to enter 15 percent of Line 12, but not more than \$2000 (\$1000) if married and filing separately, (status indicated by a check in the box on Lines 1, 2, 3, 4 or 5), on Line 13
 - 2) then subtract the amount on Line 13 from the amount on Line 12 and enter the result on Line 14
 - 3) multiply the total number of exemptions claimed on Line 7 by \$750 (1974) and enter the sum on Line 15.
 - 4) the taxable income is then determined by subtracting the amount on Line 15 from the amount on Line 14. The taxable income is entered on Line 16.
 - 5) the tax is then determined by using the appropriate Tax Rate Schedule X,Y, or Z, depending on the filing status. The tax is entered on Line 17.

7. Tax and Credits Report

17	Tax, check if from: <input type="checkbox"/> Tax Tables 1-12 OR <input type="checkbox"/> Tax Rate Schedule X, Y, or Z	17	
18	Credit for contributions to candidates for public office (see instructions on page 4)	18	
19	Income tax (subtract line 18 from line 17). If less than zero, enter zero	19	
20a	Total Federal income tax withheld (attach Forms W-2 to front)	20a	
b	Excess FICA tax withheld (two or more employers—see instructions on page 4)	b	
c	1973 estimated tax payments (include amount allowed as credit from 1972 return)	c	
21	Total (add lines 20a, b, and c)	21	
22	If line 19 is larger than line 21, enter BALANCE DUE IRS <small>Pay in full with return. Write social security number on check or money order and make payable to Internal Revenue Service</small>	22	
23	If line 21 is larger than line 19, enter amount OVERPAID	23	
24	Amount of line 23 to be REFUNDED TO YOU	24	
25	Amount of line 23 to be credited on 1974 estimated tax	25	

- a. the tax is entered on Line 17 regardless of the method of determination
- b. the box indicating method of determination must also be checked
- c. the amount of money to be used as credit for contributions to candidates for public office is entered on Line 18
- d. the amount on Line 18 is subtracted from the amount on Line 17 and entered on Line 19. This is the first income tax subtotal
- e. credits for Taxes Withheld
 - 1) on Line 20a enter the amount of Federal income withheld
 - 2) on Line 20b enter the excess of FICA withholding (in the event of two or more employers)
 - 3) on line 20c enter the total of the estimated tax payments made during the tax year
 - 4) total Lines 20a, 20b, 20c, and enter on Line 21
- f. if Line 19 is larger than Line 21, enter the difference as the "BALANCE DUE IRS" on Line 22
- g. if Line 21 is larger than Line 19, enter the difference as "OVERPAID" on Line 23
 - 1) if the overpayment is to be refunded enter the amount of the refund on Line 24
 - 2) if the overpayment is to be credited on the next tax years estimated tax, enter the amount of Line 25

8. Oath of Accuracy

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.

Sign
here

<p>▶ Your signature _____ Date _____</p>	<p>▶ Preparer's signature (other than taxpayer) _____ Date _____</p>
<p>▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income) _____</p>	<p>Address (and ZIP Code) _____ Preparer's Emp. Ident. or Soc. Sec. No. _____</p>

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- a. this section is responsible for more delays in processing tax returns than any other problem
- b. PEOPLE FORGET TO SIGN THEIR TAX RETURN
 - 1) sometimes only one spouse forgets, sometimes both forget
 - 2) the IRS will send the return back for the missing signatures before processing
- c. if another person assists in the preparation of the Tax Return, he/she must also sign the return in the space provided at the right of the signature box. In many states, people that assist in preparing tax returns must be licensed by the state and are therefore legally responsible with the filer for errors and/or fraudulent returns

B. Form 1040

1. Introduction to Form 1040

The following description of Form 1040 is intended to explain the significance of the various portions of the form. The average person is intimidated by Form 1040 because they do not

understand the basic structure. Stated simply, Form 1040 performs two functions. First, it SUMMARIZES all information concerning income, adjustments, exemptions, deductions, credits and taxes paid; and second, through a series of steps, it DETERMINES/COMPUTES the tax. Once these two concepts are understood, Form 1040 will cease to be an annual problem.

2. Page 1 of Form 1040, the long form or itemized return, may be broken down into seven sections
 - a. Taxpayer Identification
 - b. Filing Status
 - c. Exemption Determination
 - d. Income Summary
 - e. Tax, Payments and Credits
 - 1) Optional Tax Tables 1 through 12
 - 2) Tax Rate Schedules S, Y, or Z
 - f. Tax Report
 - 1) Balance Due IRS
 - 2) Overpayment
 - 3) Refund or Credit
 - g. Oath of Accuracy

3. Taxpayer Identification

Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Present home address (Number and street, including apartment number, or rural route)			Spouse's social security no.
	City, town or post office, State and ZIP code		Occu- pation	Yours ►
				Spouse's ►

- a. all entries, name, address, occupation, and especially social security number must be accurate
- b. mistakes may delay the processing of the return
- c. an error in the social security number may be the cause of trouble for several years with the possibility that charges of tax evasion may be leveled against the taxpayer

4. Filing Status

Filing Status (check only one)	
1	<input type="checkbox"/> Single
2	<input type="checkbox"/> Married filing joint return (even if only one had income)
3	<input type="checkbox"/> Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ► _____
4	<input type="checkbox"/> Unmarried Head of Household (See instructions on page 5)
5	<input type="checkbox"/> Widow(er) with dependent child (Year spouse died ► 19__)

- a. the filing checks the box representing the appropriate filing status
- b. the filing status also identifies which of the;
 - 1) columns in the Optional Tax Tables the filer must use for tax determination if his/her gross income is less than \$10,000

- 2) Tax Rate Schedules the filer must use for tax determination if his/her gross income is \$10,000 or more

5. Exemption(s) Determination

Exemptions		Regular / 65 or over / Blind			Enter number of boxes checked ▶
6a Yourself . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b Spouse . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c First names of your dependent children who lived with you _____					
d Number of other dependents (from line 27) . . .					Enter number ▶
7 Total exemptions claimed					▶

- the filer checks the box or boxes representing the appropriate exemption classification for filer and spouse, and enters the total in the column at the right on Line 6ab
- the names of the children must be listed and the total number of children exemptions entered in the column at the right on Line 6c
- Other Dependents

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
						\$ _____
27 Total number of dependents listed in column (a). Enter here and on line 6d ▶						

- if dependents other than children are to be claimed the total number of such dependents is entered in the column at the right on Line 6d
- a special space at the top of Page 2 is provided for additional information about the "other dependents"
- the total number of exemptions claimed for other dependents is entered on Line 27 in the additional information box and on Line 6d and the exemptions section
- Caution:
 - the filer must be absolutely certain of the claim for "other dependents" since this is often a claim that initiates an investigation by the IRS
 - the filer must be prepared to substantiate the validity of the dependency

6. Income Summary

Income	9 Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see instructions on page 3.)		9
	10a Dividends (See instructions on pages 6 and 13) \$	10b Less exclusion \$	Balance ▶	10c
11 Interest income. [If \$400 or less, enter total without listing in Schedule B] [If over \$400, enter total and list in Part II of Schedule B]			11
12 Income other than wages, dividends, and interest (from line 38)			12
13 Total (add lines 9, 10c, 11, and 12)			13
14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)			14
15 Subtract line 14 from line 13 (adjusted gross income)			15

- a. all wages, salaries, tips, and other employee compensation are totaled and entered on Line 9. All incomes should be substantiated by employer supplied W-2 forms or some sort of statement by the taxpayer/filer
- b. dividends are entered on Lines 10a and the dividend exclusion on Line 10b. The total dividend income to be included is entered on Line 10c.

Note: The "dividend exclusion" reduces the income for inclusion as income by

- 1) \$200 for a married filing joint return
- 2) \$100 for a married filing separately
- 3) \$200 for a single or head of household return

- c. interest income is totaled and entered on Line 11
- d. income from sources other than in a. above are itemized in Part I, page 2. The total from Line 38 of Part I is entered on Line 12, page 1.
- e. the total or Gross income is determined by adding Lines 9, 10c, 11, 12. Enter the total on Line 13.
- f. the total of the adjustments to income, from Line 43 Part II, page 2 is entered on Line 14, page 1
- g. the Adjusted Gross Income is determined by subtracting Line 14 from Line 13. This figure is entered on Line 15.

7. Tax, Payments and Credits

Tax, Payments and Credits	16	Tax, check if from:	<input type="checkbox"/> Tax Tables 1-12 <input type="checkbox"/> Schedule D	<input type="checkbox"/> Tax Rate Schedule X, Y, or Z <input type="checkbox"/> Schedule G OR <input type="checkbox"/> Form 4726	16	
	17	Total credits (from line 54)			17	
	18	Income tax (subtract line 17 from line 16)			18	
	19	Other taxes (from line 61)			19	
	20	Total (add lines 18 and 19)			20	
	21a	Total Federal income tax withheld (attach Forms W-2 or W-2P to front)	21a		Pay amount on line 23 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.	
	b	1974 estimated tax payments (include amount allowed as credit from 1973 return)	b			
c	Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	c				
d	Other payments (from line 65)	d				
22	Total (add lines 21a, b, c, and d)			22		

- a. the filer must first check the box indicating the method of tax computation/determination used in preparing the return
- b. the tax, determined from the taxable income computed in Part III, page 2 is entered on Line 16.
- c. the tax credits summarized in Part IV, page 2 are entered on Line 17.
- d. a sort of sub-total income tax is determined by subtracting Line 17 from Line 16 and then entering on Line 18.
- e. other taxes, summarized in Part V, page 2 are entered on Line 19
- f. a second sub-total income tax is determined by adding Lines 18 and 19

- g. the total Federal income tax withheld as listed on the W-2 forms is entered on Line 21a
- h. the total of estimated tax payments for the year are entered on Line 21b
- i. the amount paid with the Form 4868, Application for Automatic Extension of Time to File, is entered on Line 21c
- j. all other payments are totaled and entered on Line 21d (itemized in Part IV, page 2)
- k. the total of Lines 21a, 21b, 21c, 21d is entered on Line 22

8. Tax Report - Balance Due or Refund

Balance Due or Refund	23	If line 20 is larger than line 22, enter BALANCE DUE IRS ▶	23	
	(Check here <input type="checkbox"/> , if Form 2210, Form 2210F, or statement is attached. See instructions on page 7.)			
	24	If line 22 is larger than line 20, enter amount OVERPAID ▶	24	
	25	Amount of line 24 to be REFUNDED TO YOU ▶	25	
	26	Amount of line 24 to be credited on 1975 estimated tax. ▶	26	

If all of overpayment (line 24) is to be refunded (line 25), make no entry on line 26.

- a. compute the difference between Line 20 and Line 22
- b. if Line 20 is larger than Line 22, enter the **BALANCE DUE IRS** on Line 23
- c. if Line 22 is larger than Line 20, enter the amount **OVERPAID** on Line 24
 - 1) if the overpayment is to be refunded, enter the amount to be refunded on Line 25
 - 2) if the overpayment is to be credited on the next year's estimated tax, enter the amount on Line 26

9. Oath of Accuracy

Sign here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.	
	▶ Your signature _____ Date _____	▶ Preparer's signature (other than taxpayer) _____ Date _____
	▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income) _____	Address (and ZIP Code) _____ Preparer's Emp. Ident. or Soc. Sec. No. _____

- a. this section is responsible for more delays in processing tax returns than any other problem
- b. **PEOPLE FORGET TO SIGN THEIR TAX RETURN**
- c. if another person assists in the preparation of the Tax Return, he/she must also sign the return in the space provided at the right of the signature box. In many states, people that assist in preparing tax returns must be licensed and are therefore legally responsible with the filer for errors and/or fraudulent returns.

10. Page 2 of Form 1040

- a. contains five parts
- b. most returns filed on Form 1040 require additional schedules to verify the income, adjustments, deductions, and credits

11. Part I

Part I Income other than Wages, Dividends, and Interest		
28 Business income or (loss) (attach Schedule C)	28	
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29	
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30	
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31	
32 Farm income or (loss) (attach Schedule F)	32	
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33	
34 50% of capital gain distributions (not reported on Schedule D—see instructions on page 8)	34	
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8).	35	
36 Alimony received	36	
37 Other (state nature and source—see instructions on page 8) ►	37	
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	

- a. summarizes income from sources other than wages, dividends, and interest
- b. income reported here must be verified by supplementary schedules accompanying the Form 1040. Examples are;
 - 1) Schedule C, Profit or Loss from Business or Profession
 - 2) Schedule D, Capital Gains and Losses
 - 3) Schedule E, Supplementary Income from Rents, Royalties, Pensions, Annuities, etc.
 - 4) Schedule F, Farm Income and Expenses
 - 5) Form 4797, Supplemental Schedule of Gains and Losses
- c. other types of income that do not necessarily require an accompanying statement are
 - 1) Alimony
 - 2) State Income Tax Refund
 It may, at first, seem unfair to include this item as income; but it will be shown later in the section discussing Schedule A (the itemized deductions) that the State Income Tax withheld from wages is allowed as a deduction. By including the refund as income in the subsequent year, the IRS is only recovering the tax on the excess deduction claimed in the previous year.
- d. all incomes reported in Part I are added together and the total is entered on Line 38 of Part I and Line 12 on page 1. This is the Gross Income.

12. Part II - Adjustments to Income

Part II Adjustments to Income		
39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39	
40 Moving expense (attach Form 3903)	40	
41 Employee business expense (attach Form 2106 or statement)	41	
42 Payments as a self-employed person to a retirement plan, etc.—see instructions on page 9	42	
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43	

- a. this part summarizes the adjustments to the Gross Income
- b. the adjustments all require an accompanying Form or Schedule to verify the claim
- c. the adjustments are
 - 1) Sick Pay, Form 2440 or Forms W-2 and W-2P
 - 2) Moving Expense, Form 3903

- 3) Employee Business Expense, Form 2106
- 4) Payments as a self-employed person to a retirement plan, Form 4848

d. all adjustments reported in Part II are added together and the total is entered on Line 43 of Part II and Line 14, page 1

13. Part III - Tax Computation

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)	
44 Adjusted gross income (from line 15)	44
45 (a) If you itemize deductions, check here <input type="checkbox"/> and enter total from Schedule A, line 41 and attach Schedule A	45
(b) If you do not itemize deductions, check here <input type="checkbox"/> and enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	46
46 Subtract line 45 from line 44	47
47 Multiply total number of exemptions claimed on line 7, by \$750	48
48 Taxable income. Subtract line 47 from line 46 (Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, or maximum tax from Form 4726.) Enter tax on line 16.	

- a. this part summarizes the deduction and exemption amounts and determines the Taxable Income
- b. the Adjusted Gross Income from Line 15, page 1 is entered on Line 44 of Part III
- c. the itemized deduction or standard deduction amount is entered on Line 45
 - 1) the itemized deduction amount is the total from Line 41, Schedule A
 - 2) if the Standard Deduction is used the amount is determined by multiplying the Adjusted Gross Income (from Line 44) by 15 percent
 - a) the Standard Deduction must not exceed \$2000 for a married couple filing jointly, or
 - b) \$1000 for a married person filing separately, or
 - c) \$2000 for a single person, or head of household
- d. the amount on Line 45 is subtracted from the amount on Line 44 and entered on Line 46
- e. the deduction amount for the exemptions is determined by multiplying the number of exemptions claimed on Line 7, page 1 by \$750 (1974). This amount is then entered on Line 47, Part III.
- f. the Taxable Income is then determined by subtracting Line 47 from Line 46. This amount is then entered on Line 48.
- g. the tax is then computed on the amount on Line 48 by using
 - 1) Tax Rate Schedules X, Y, or Z, or
 - 2) if applicable, the alternative tax from Schedule D, or
 - 3) Income Averaging from Schedule G, or
 - 4) Maximum Tax from Form 4726, or
 - 5) special Averaging from Form 4972
 - 6) the Tax is entered on Line 16, page 1

14. Part IV - Credits

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50		
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54		

- a. this part summarizes the credits against the tax computed in Part III
- b. Credits also require supplementary schedules to verify the claim
- c. the types of credits and required schedules are
 - 1) Schedule R, Retirement Income Credit
 - 2) Form 3468, Investment Credit
 - 3) Form 1116, Foreign Tax Credit
 - 4) Credit for contributions to candidates for public office
 - 5) Form 4874, Work Incentive Credit
- d. all the credits are added together and the total entered on Line 54 and on Line 17, page 1

15. Part V - Other Taxes**Part V Other Taxes**

55 Self-employment tax (attach Schedule SE)	55		
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61		

- a. this part summarizes the other taxes due the Federal Government
- b. again, each entry must be accompanied by a special schedule
 - 1) Schedule SE, Self-Employment Tax. This is one that concerns all optometrists that have their own practice.
 - 2) Form 4255, Tax from recomputing prior-year Investment Credit
 - 3) Tax from recomputing prior-year Work Incentive. No Schedule listed
 - 4) Form 4625, Minimum Tax
 - 5) Form 4137, Social Security Tax on tip income not reported to employer
 - 6) Form W-2, Uncollected Employee Social Security Tax on tips
- c. the above items are totaled and entered on Line 61 and on Line 19, page 1

16. Part VI - Other Payments

- a. other payments are, in essence, a tax payment by the taxpayer that may be credited against the taxpayer's total tax bill

Part VI Other Payments

62	Excess FICA tax withheld (two or more employers—see instructions on page 9)	62	
63	Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63	
64	Credit from a Regulated Investment Company (attach Form 2439)	64	
65	Total (add lines 62, 63, and 64). Enter here and on line 21d	65	

Foreign Accounts Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? ☐ Yes ☐ No

If "Yes," attach Form 4683. (For definitions, see Form 4683.)

b. examples are

- 1) excess FICA tax withheld (two or more employers)
 - a) there are special instructions, but simply stated, if a person has more than one employer during a tax year and FICA tax withheld exceeds the maximum amount, the person may recover the excess FICA withholding
 - b) if a single employer withheld too much FICA money, the taxpayer must recover the excess from the employer. This shouldn't pose much of a problem, but it often does
 - c) the only evidence required for the condition stated in a) above are the W-2 forms
- 2) Form 4136, Credit for Federal Tax on special fuels, non-highway gasoline and lubricating oil
 - a) the largest use of this credit is by farmers
 - b) however, any owner of an airplane or motor driven boat is also entitled to claim this deduction/credit
 - c) Form 2439, Credit from a Regulated Investment Company
 - d) all "other payments" are totaled and the total entered on Line 65 and Line 21d on page 1

17. General Procedure

- a. though the above description of Form 1040 proceeds through the form in an apparent logical manner, in practice, the taxpayer/preparer must skip back and forth between different sections to complete the return in a truly logical and organized manner. All supplementary schedules should be completed first
- b. an abbreviated outline of the usual method would be as follows:
 - 1) Taxpayer Identification
 - 2) Filing Status
 - 3) Exemptions
 - 4) Income Summary
 - a) Lines 9, 10, 11, on page 1
 - b) Part I, total is from Line 38 to Line 12, page 1
 - 5) Adjustments to Income
 - Part II, and transfer total from Line 43 to Line 14, page 1
 - 6) Tax Computation - Part III
 - 7) Credits - Part IV
 - 8) Other Taxes - Part V
 - 9) Other Payments - Part VI
 - 10) Tax Report, page 1

c. a more detailed flow chart type of summary follows

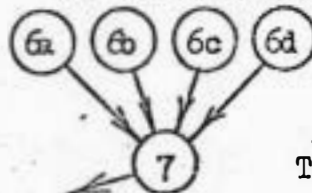
Filing Status
(select one)

① ② ③ ④ ⑤

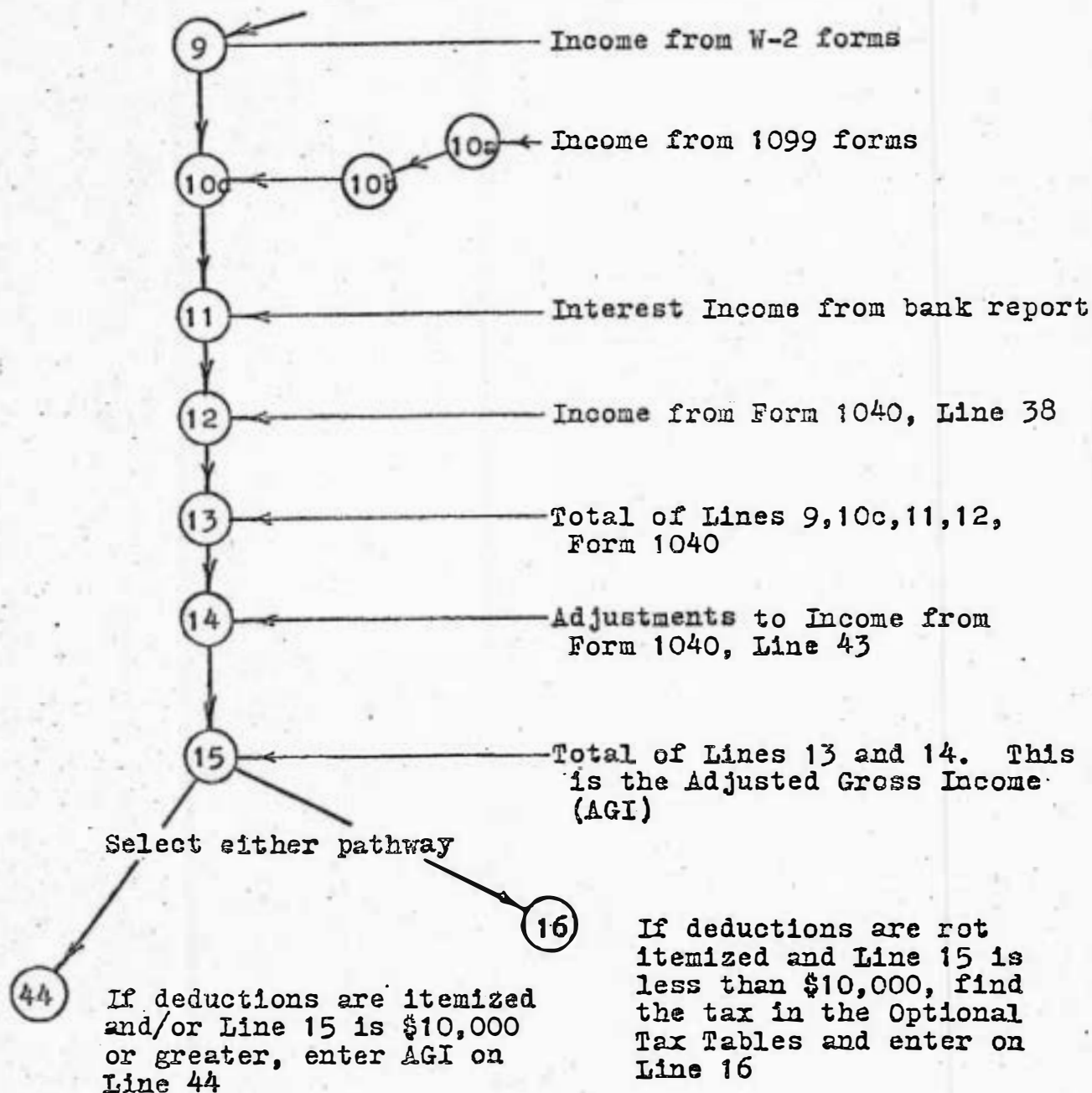
Presidential Election
Contribution

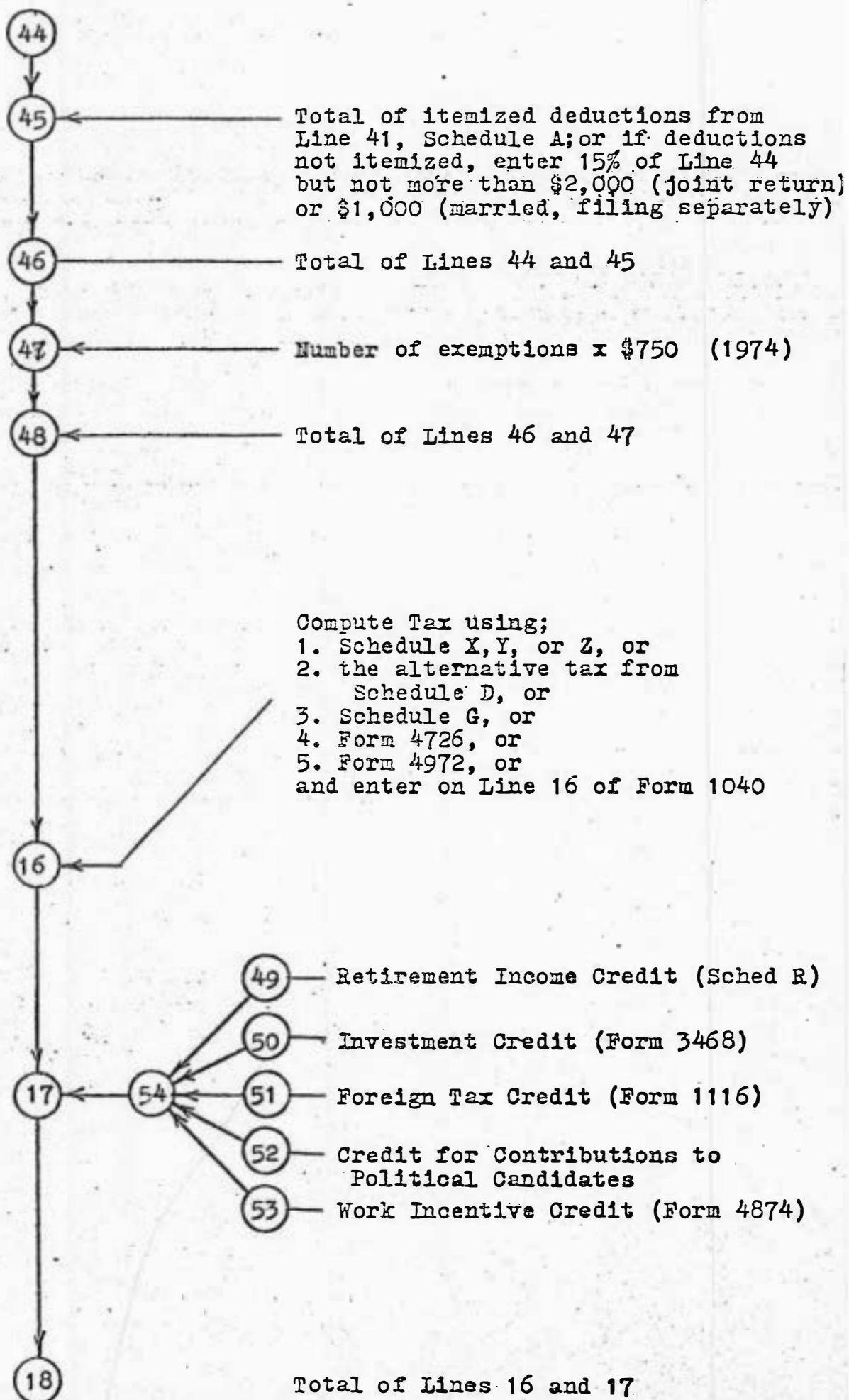
⑧

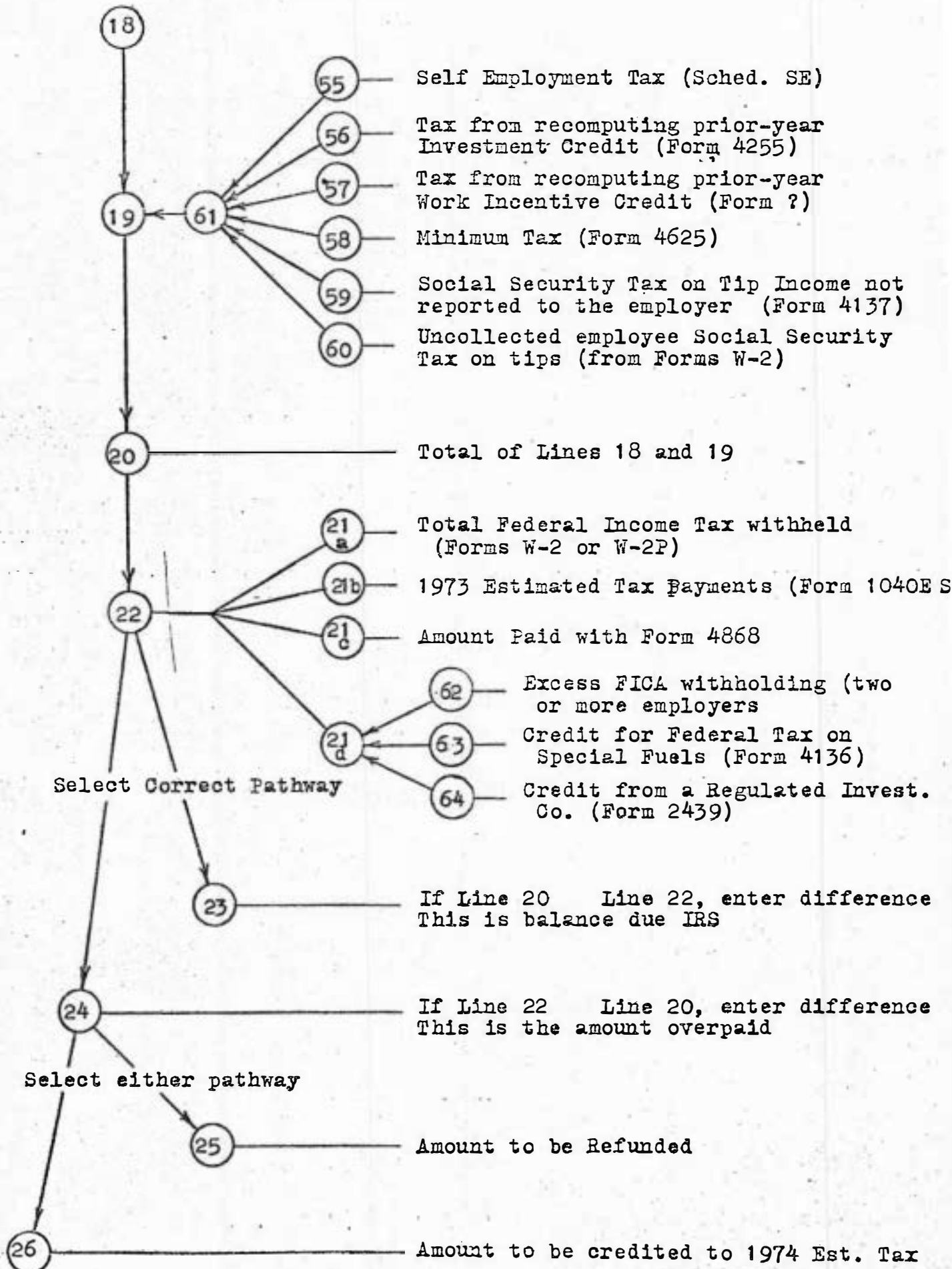
Exemptions
(select as many
as necessary)



Total Exemptions







1973 Tax Rate Schedules

If you do not use one of the Tax Tables, figure your tax on the amount on Form

1040, line 48, by using the appropriate Tax Rate Schedule on this page. Enter tax on

Form 1040, line 16.

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z

If the amount on Form 1040, line 48, is:		Enter on Form 1040, line 16:	
Not over \$500....		14% of the amount on line 48.	
Over—	But not over—		of excess over—
\$500	\$1,000	\$70+15%	\$500
\$1,000	\$1,500	\$145+16%	\$1,000
\$1,500	\$2,000	\$225+17%	\$1,500
\$2,000	\$4,000	\$310+19%	\$2,000
\$4,000	\$6,000	\$690+21%	\$4,000
\$6,000	\$8,000	\$1,110+24%	\$6,000
\$8,000	\$10,000	\$1,590+25%	\$8,000
\$10,000	\$12,000	\$2,090+27%	\$10,000
\$12,000	\$14,000	\$2,630+29%	\$12,000
\$14,000	\$16,000	\$3,210+31%	\$14,000
\$16,000	\$18,000	\$3,830+34%	\$16,000
\$18,000	\$20,000	\$4,510+36%	\$18,000
\$20,000	\$22,000	\$5,230+38%	\$20,000
\$22,000	\$26,000	\$5,990+40%	\$22,000
\$26,000	\$32,000	\$7,590+45%	\$26,000
\$32,000	\$38,000	\$10,290+50%	\$32,000
\$38,000	\$44,000	\$13,290+55%	\$38,000
\$44,000	\$50,000	\$16,590+60%	\$44,000
\$50,000	\$60,000	\$20,190+62%	\$50,000
\$60,000	\$70,000	\$26,390+64%	\$60,000
\$70,000	\$80,000	\$32,790+66%	\$70,000
\$80,000	\$90,000	\$39,390+68%	\$80,000
\$90,000	\$100,000	\$45,190+69%	\$90,000
\$100,000	.....	\$53,990+70%	\$100,000

SCHEDULE Y—Married Taxpayers and Certain Widows and Widowers

If you are a married person living apart from your spouse, see chapter 2 to see if you can be considered to be "unmarried" for purposes of using Schedule X or Z.

Married Taxpayers Filing Joint Returns and Certain Widows and Widowers		
If the amount on Form 1040, line 48, is:		Enter on Form 1040, line 16:
Not over \$1,000....		14% of the amount on line 48.
Over—	But not over—	of excess over—
\$1,000	\$2,000	\$140+15%
\$2,000	\$3,000	\$290+16%
\$3,000	\$4,000	\$450+17%
\$4,000	\$8,000	\$620+19%
\$8,000	\$12,000	\$1,380+22%
\$12,000	\$16,000	\$2,260+25%
\$16,000	\$20,000	\$3,260+28%
\$20,000	\$24,000	\$4,380+32%
\$24,000	\$28,000	\$5,660+36%
\$28,000	\$32,000	\$7,100+39%
\$32,000	\$36,000	\$8,660+42%
\$36,000	\$40,000	\$10,340+45%
\$40,000	\$44,000	\$12,140+48%
\$44,000	\$52,000	\$14,060+50%
\$52,000	\$64,000	\$18,060+53%
\$64,000	\$76,000	\$24,420+55%
\$76,000	\$88,000	\$31,020+58%
\$88,000	\$100,000	\$37,980+60%
\$100,000	\$120,000	\$45,180+62%
\$120,000	\$140,000	\$57,580+64%
\$140,000	\$160,000	\$70,380+66%
\$160,000	\$180,000	\$83,580+68%
\$180,000	\$200,000	\$97,180+69%
\$200,000	.....	\$110,980+70%

Married Taxpayers Filing Separate Returns		
If the amount on Form 1040, line 48, is:		Enter on Form 1040, line 16:
Not over \$500....		14% of the amount on line 48.
Over—	But not over—	of excess over—
\$500	\$1,000	\$70+15%
\$1,000	\$1,500	\$145+16%
\$1,500	\$2,000	\$225+17%
\$2,000	\$4,000	\$310+19%
\$4,000	\$6,000	\$690+22%
\$6,000	\$8,000	\$1,130+25%
\$8,000	\$10,000	\$1,630+28%
\$10,000	\$12,000	\$2,190+32%
\$12,000	\$14,000	\$2,830+36%
\$14,000	\$16,000	\$3,550+39%
\$16,000	\$18,000	\$4,330+42%
\$18,000	\$20,000	\$5,170+45%
\$20,000	\$22,000	\$6,070+48%
\$22,000	\$26,000	\$7,030+50%
\$26,000	\$32,000	\$9,030+53%
\$32,000	\$38,000	\$12,210+55%
\$38,000	\$44,000	\$15,510+58%
\$44,000	\$50,000	\$18,990+60%
\$50,000	\$60,000	\$22,590+62%
\$60,000	\$70,000	\$28,790+64%
\$70,000	\$80,000	\$35,190+66%
\$80,000	\$90,000	\$41,790+68%
\$90,000	\$100,000	\$48,590+69%
\$100,000	.....	\$55,490+70%

SCHEDULE Z—Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household (See chapter 2).

If the amount on Form 1040, line 48, is:		Enter on Form 1040, line 16:	
Not over \$1,000....		14% of the amount on line 48.	
Over—	But not over—		of excess over—
\$1,000	\$2,000	\$140+16%	\$1,000
\$2,000	\$4,000	\$300+18%	\$2,000
\$4,000	\$6,000	\$660+19%	\$4,000
\$6,000	\$8,000	\$1,040+22%	\$6,000
\$8,000	\$10,000	\$1,480+23%	\$8,000
\$10,000	\$12,000	\$1,940+25%	\$10,000
\$12,000	\$14,000	\$2,440+27%	\$12,000
\$14,000	\$16,000	\$2,980+28%	\$14,000
\$16,000	\$18,000	\$3,540+31%	\$16,000
\$18,000	\$20,000	\$4,160+32%	\$18,000
\$20,000	\$22,000	\$4,800+35%	\$20,000
\$22,000	\$24,000	\$5,500+36%	\$22,000
\$24,000	\$26,000	\$6,220+36%	\$24,000
\$26,000	\$28,000	\$6,980+41%	\$26,000
\$28,000	\$32,000	\$7,800+42%	\$28,000
\$32,000	\$36,000	\$9,480+45%	\$32,000
\$36,000	\$38,000	\$11,280+48%	\$36,000
\$38,000	\$40,000	\$12,240+51%	\$38,000
\$40,000	\$44,000	\$13,260+52%	\$40,000
\$44,000	\$50,000	\$15,340+55%	\$44,000
\$50,000	\$52,000	\$16,540+56%	\$50,000
\$52,000	\$64,000	\$19,730+58%	\$52,000
\$64,000	\$70,000	\$26,720+59%	\$64,000
\$70,000	\$76,000	\$30,260+61%	\$70,000
\$76,000	\$80,000	\$33,920+62%	\$76,000
\$80,000	\$88,000	\$36,400+63%	\$80,000
\$88,000	\$100,000	\$41,440+64%	\$88,000
\$100,000	\$120,000	\$49,120+66%	\$100,000
\$120,000	\$140,000	\$62,320+67%	\$120,000
\$140,000	\$160,000	\$75,720+68%	\$140,000
\$160,000	\$180,000	\$89,320+69%	\$160,000
\$180,000	.....	\$103,120+70%	\$180,000

U.S. GOVERNMENT PRINTING OFFICE
PUBLIC DOCUMENTS DEPARTMENT
WASHINGTON, D.C. 20402

OFFICIAL BUSINESS

RETURN AFTER 5 DAYS

POSTAGE AND FEES PAID
U.S. GOVERNMENT PRINTING OFFICE
375
SPECIAL FOURTH-CLASS RATE
BOOK



Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Present home address (Number and street, including apartment number, or rural route)			Spouse's social security no.
	City, town or post office, State and ZIP code		Occu- pation	Yours ▶ Spouse's ▶

Filing Status—check only one:

- 1 ☐ Single
- 2 ☐ Married filing joint return (even if only one had income)
- 3 ☐ Married filing separately. If spouse is also filing, give spouse's social security number in designated space above and enter full name here ▶
- 4 ☐ Unmarried Head of Household
- 5 ☐ Widow(er) with dependent child (Year spouse died ▶ 19...)

Exemptions

Regular / 65 or over / Blind

- 6a Yourself ☐ ☐ ☐ Enter number of boxes checked ▶
- b Spouse ☐ ☐ ☐
- c First names of your dependent children who lived with you ☐ Enter number ▶
- d Number of other dependents (from line 26) . . . ▶
- 7 Total exemptions claimed . . . ▶

8 Presidential Election Campaign Fund.—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note on back.

Attach Copy B of Forms W-2 and Check or Money Order here	9 Wages, salaries, tips, and other employee compensation . . . (Attach Forms W-2. If unavailable, attach explanation.)	9	
	10a Dividends (See instructions on page 3) \$ 10b Less exclusion \$ Balance ▶	10c	
	11 Interest income	11	
	12 Total (add lines 9, 10c, and 11) (Adjusted Gross Income)	12	
	● If you want IRS to figure your tax, skip the rest of this page and see instructions on page 3.		
	● If line 12 is under \$10,000 find tax in Tables 1–12 and enter on line 17. Skip lines 13 through 16.		
13 If line 12 is \$10,000 or more, enter 15% of line 12 but not more than \$2,000 (\$1,000 if line 3 checked)	13		
14 Subtract line 13 from line 12	14		
15 Multiply total number of exemptions claimed on line 7 by \$750	15		
16 Taxable income (subtract line 15 from line 14) (Figure tax on amount on line 16 using Tax Rate Schedule X, Y, or Z, and enter on line 17.)	16		

Form 1040A (1973)

Page 2

17 Tax, check if from: <input type="checkbox"/> Tax Tables 1–12 OR <input type="checkbox"/> Tax Rate Schedule X, Y, or Z	17	
18 Credit for contributions to candidates for public office (see instructions on page 4)	18	
19 Income tax (subtract line 18 from line 17). If less than zero, enter zero	19	
20a Total Federal income tax withheld (attach Forms W-2 to front)	20a	
b Excess FICA tax withheld (two or more employers—see instructions on page 4)	b	
c 1973 estimated tax payments (include amount allowed as credit from 1972 return)	c	
21 Total (add lines 20a, b, and c)	21	
22 If line 19 is larger than line 21, enter BALANCE DUE IRS Pay in full with return. Write social security number on check or money order and make payable to Internal Revenue Service ▶	22	
23 If line 21 is larger than line 19, enter amount OVERPAID ▶	23	
24 Amount of line 23 to be REFUNDED TO YOU ▶	24	
25 Amount of line 23 to be credited on 1974 estimated tax ▶	25	

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$
26 Total number of dependents listed in column (a). Enter here and on line 6d ▶						

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.

Sign here ▶	Your signature	Date	Preparer's signature (other than taxpayer)	Date
	Spouse's signature (if filing jointly, BOTH must sign even if only one had income)			Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.

Form **1040****US**Department of the Treasury—Internal Revenue Service
Individual Income Tax Return**1973**

For the year January 1–December 31, 1973, or other taxable year beginning _____, 1973, ending _____, 19____

Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.	
	City, town or post office, State and ZIP code		Occu- pation	Yours ▶ Spouse's ▶

Filing Status—check only one:

- 1 ☐ Single
- 2 ☐ Married filing joint return (even if only one had income)
- 3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above

and enter full name here ▶

- 4
- ☐
- Unmarried Head of Household

- 5
- ☐
- Widow(er) with dependent child (Year spouse died ▶ 19)

Exemptions

Regular / 65 or over / Blind

- 6a Yourself . . .
- ☐
- ☐
- ☐
- Enter number of boxes checked ▶

- b Spouse . . .
- ☐
- ☐
- ☐
- Enter number ▶

- c First names of your dependent children who lived with you

- d Number of other dependents (from line 27) . . . ▶

- 7 Total exemptions claimed . . . ▶

- 8 **Presidential Election Campaign Fund.**—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wishes to designate \$1. **Note:** This will not increase your tax or reduce your refund. See note below.

Income	9 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, attach explanation)	9	
	10a Dividends (See instructions on page 6.) \$ 10b Less exclusion \$ Balance ▶	10c	
	10d (Gross amount received, if different from line 10a \$)		
	11 Interest income	11	
	12 Income other than wages, dividends, and interest (from line 38)	12	
	13 Total (add lines 9, 10c, 11, and 12)	13	
	14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)	14	
	15 Subtract line 14 from line 13 (adjusted gross income)	15	

- If you do not itemize deductions and line 15 is under \$10,000, find tax in Tables and enter on line 16.
- If you itemize deductions or line 15 is \$10,000 or more, go to line 44 to figure tax.
- CAUTION. If you have unearned income and can be claimed as a dependent on your parent's return, check here ☐ and see instructions on page 7.

Tax, Payments and Credits	16 Tax, check if from: Tax Tables 1–12 Tax Rate Schedule X, Y, or Z <input type="checkbox"/> Schedule D <input type="checkbox"/> Schedule G <input type="checkbox"/> Form 4726 OR <input type="checkbox"/> Form 4972	16	
	17 Total credits (from line 54)	17	
	18 Income tax (subtract line 17 from line 16)	18	
	19 Other taxes (from line 61)	19	
	20 Total (add lines 18 and 19)	20	
	21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front) 21a		
	b 1973 estimated tax payments (include amount allowed as credit from 1972 return) b		
	c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return c		
d Other payments (from line 65) d			
22 Total (add lines 21a, b, c, and d)	22		

Balance Due or Refund	23 If line 20 is larger than line 22, enter BALANCE DUE IRS Pay in full with return. Make check or money order payable to Internal Revenue Service ▶ (Check here <input type="checkbox"/> if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.)	23	
	24 If line 22 is larger than line 20, enter amount OVERPAID ▶	24	
	25 Amount of line 24 to be REFUNDED TO YOU ▶	25	
	26 Amount of line 24 to be credited on 1974 estimated tax ▶ 26		

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Sign here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.	Preparer's signature (other than taxpayer)	Date
Your signature	Date	
Spouse's signature (if filing jointly, BOTH must sign even if only one had income)	Address (and ZIP Code)	Preparer's Emp. Ident. or Soc. Sec. No.

Please attach Copy B of Forms W-2 here

Write soc. sec. no. on Check or Money Order. Attach here

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29	
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30	
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31	
32 Farm income or (loss) (attach Schedule F)	32	
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33	
34 50% of capital gain distributions (not reported on Schedule D)	34	
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8)	35	
36 Alimony received	36	
37 Other (state nature and source)	37	
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39	
40 Moving expense (attach Form 3903)	40	
41 Employee business expense (attach Form 2106 or statement)	41	
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42	
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43	

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	
46 Subtract line 45 from line 44	46	
47 Multiply total number of exemptions claimed on line 7, by \$750	47	
48 Taxable income. Subtract line 47 from line 46	48	

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49	
50 Investment credit (attach Form 3468)	50	
51 Foreign tax credit (attach Form 1116)	51	
52 Credit for contributions to candidates for public office—see instructions on page 9	52	
53 Work Incentive (WIN) credit (attach Form 4874)	53	
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54	

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56	
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57	
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58	
59 Social security tax on tip income not reported to employer (attach Form 4137)	59	
60 Uncollected employee social security tax on tips (from Forms W-2)	60	
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62	
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63	
64 Credit from a Regulated Investment Company (attach Form 2439)	64	
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65	

Foreign Accounts	Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach Form 4683. (For definitions, see Form 4683.)	

C. Schedule A, Form 1040 - Itemized Deductions

1. This is the schedule used to report the deductions related to personal and/or family expenses
2. The expenses are separated into six categories
 - a. medical and dental expenses
 - b. taxes
 - c. interest expenses
 - d. contributions
 - e. casualty and theft losses
 - f. miscellaneous expenses
3. Medical and Dental Expenses

Medical and Dental Expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

1 One half (but not more than \$150) of insurance premiums for medical care. (Be sure to include in line 10 below) .		
2 Medicine and drugs		
3 Enter 1% of line 15, Form 1040 . . .		
4 Subtract line 3 from line 2. Enter difference (if less than zero, enter zero) .		
5 Enter balance of insurance premiums for medical care not entered on line 1 .		
6 Enter other medical and dental expenses:		
a Doctors, dentists, etc.		
b Hospitals		
c Other (Itemize—include hearing aids, dentures, eyeglasses, transportation, etc.) ►		
7 Total (add lines 4, 5, 6a, b, and c) . . .		
8 Enter 3% of line 15, Form 1040 . . .		
9 Subtract line 8 from line 7 (if less than zero, enter zero)		
10 Total (add lines 1 and 9). Enter here and on line 35 ►		

- a. the scope of expenses allowed as "medical-dental" deductions that should more properly be designated "Health Care Expenses."

b. the number of types of expenses that are deductible is of such magnitude that it is much simpler to describe the types of expenses that are not deductible. For example:

- 1) expenses for a trip taken for a change of environment even though recommended by a physician
- 2) health club dues even though recommended by a physician. An exception to this exclusion would occur in the event that such membership was relayed to the treatment of a specific disease and terminated when the disease was cured. The treatment must involve some service or therapy not obtainable in any other way.
- 3) domestic help expenses even if a physician recommended it because of inability to perform certain household chores. An exception to this would be in the event of an incapacitated spouse requiring assistance not only with household chores but personal care as well. This is still not considered a medical expense but may be deducted as a miscellaneous deduction if the claim is augmented by filing a Form 2441, Household and Dependent Care.
- 4) maternity clothes, diapers, and/or diaper service
- 5) funeral and burial expenses
- 6) illegal operations or treatment. A current example would be an abortion performed in a state in which the operation is prohibited by law. If the operation is legal, the deduction would be allowed. If the operation is legal only under certain conditions, then the information concerning the necessity for the operation should be included with the return if the expense is claimed.
- 7) salary for the care of a normal healthy baby even in the event that the mother died during childbirth. Again, this expense may be claimed as a miscellaneous deduction if Form 2441 is filed.
- 8) expenses for social activities, such as dancing, even when recommended by a physician
- 9) medicated toiletries, toothpaste, and cosmetics
- 10) vitamins unless specifically prescribed by a physician to treat a specific disease
- 11) income protection insurance. This is not considered health insurance, but in essence that is what it is. This is an item that should be allowed, since in effect it provides an income when a taxpayer/wage earner is off work and without an income for extended periods beyond the normal sick leave. It keeps the person off of the welfare roster.

c. some important points to remember

- 1) all medical-dental expenses are subject to a limitation of 3 percent of the Adjusted Gross Income
 - a) in effect this means that the medical expense that is deductible is the amount that exceeds 3 percent of the AGI plus 50 percent of the health insurance (not to exceed \$150).
 - b) the deduction for medicines and drugs is subject to a limitation of 1 percent of the Adjusted Gross Income before it may be included in the total for medical expenses

- 2) the basic concept is that medical expenses must be for the treatment of a specific disease or problem. A relevant example of a questionable deduction is the expense incurred for sunglasses.
 - a) non-prescription sunglasses purchased at the drug store or sporting goods store are, without a doubt, not deductible
 - b) but prescription sunglasses purchased through an optometrist fall into a "gray area"
 - c) unquestionably, regular spectacles, clear or even with an indoor tint, should be and are deductible
 - d) sunglasses, prescription or not, probably should be classified as "protective" devices and considered on the basis of the occupation of the wearer
 - e) in any event the IRS has always permitted the deduction of any or all prescription spectacles, regardless of whether they are clear or tinted
 - f) some non-prescription sunglasses may be deducted under special circumstances. For example, as part of the equipment purchased by a member of the Ski Patrol. It is then deducted as an expense under the contribution category.
- 3) the cost, out-of-pocket expenses, for transportation to obtain medical care is deducted at the rate of \$0.07 per mile for automobile use or actual expenses if other means of transportation are employed. (The rate of \$0.06/mile will likely be increased for the year 1975).
 - a) this may be used only if the location for the medical care is outside the home area
 - b) if, for example, a person must go to Portland or Beaverton for health care, then he may claim the deduction
 - c) the unofficial "rule of thumb" is that the distance should be at least 10 miles one way
 - d) it is not important whether or not the health care could have been obtained locally; where it was obtained is the critical item. However, the IRS would certainly take a dim view of traveling across the state for treatment of a rather mundane or common illness. Traveling across the country for highly specialized treatment would be accepted.
- 4) it is especially important that all claims be substantiated with receipts, cancelled checks, or any other suitable means. In the event of an audit, unprovable claims will be disallowed and the taxpayer must pay the extra tax with interest.
- 5) one of the most frequent errors found on Schedule A is the omission of the health insurance deduction, or part of it.
 - a) follow the instructions. On Line 1 enter 50 percent of the health insurance premium, but not more than \$150.
 - b) the balance of the premium is entered on Line 5. This portion is included in the total medical expense and subject to the 3 percent limitation

- c) this last step is where the error occurs. **REMEMBER!**
Add Line 1 to Line 9 when deriving the final Medical Deduction that is to be entered on Line 10

4. Taxes

Taxes		
11 State and local income		
12 Real estate		
13 State and local gasoline (see gas tax tables)		
14 General sales (see sales tax tables) .		
15 Personal property		
16 Other (Itemize) ▶.....		

17 Total (add lines 11, 12, 13, 14, 15, and 16). Enter here and on line 36 . . ▶		

a. criteria for deduction

- 1) it must be a deductible tax from one of the following categories
 - a) income tax, state, local or foreign, but not federal. Federal income tax may be deducted on some state and local returns
 - b) real property tax, state, local and foreign
 - c) personal property tax, state and local
 - d) general sales tax, state and local
 - e) gasoline tax, state and local but not federal
- 2) it must be imposed on the taxpayer(s)
- 3) it must be paid during the tax year

b. where to deduct taxes

- 1) personal taxes on Schedule A
- 2) business taxes on the appropriate business schedules
- 3) taxes imposed on personal property used partly for business
 - a) these taxes are deducted on both Schedule A and the business schedule in proportion to the use
 - b) this could apply to optometrists as well as teachers, salesmen, etc.
 - c) the same apportionment would also apply to the utilities and interest on the mortgage payment but would be claimed as a miscellaneous deduction

c. non-deductible taxes

- 1) Federal Income Taxes
- 2) Social Security Taxes (FICA)
- 3) Federal Excise Taxes
- 4) Customs, Duties
- 5) Federal Estate and Gift Taxes
- 6) State and Local
 - a) poll tax
 - b) cigarette, tobacco, and alcoholic beverage taxes
 - c) inheritance and gift taxes

1973 Optional State Sales Tax Tables

If you itemize your deductions on Schedule A, you can use these tables to determine the general sales tax to enter on line 14, if your records show that you paid more than the amount shown you can deduct the larger amount. The sales tax paid on the purchase of an automobile may be added to the table amount except in Vermont and West Virginia where the deduction is allowed at the three percent general sales tax rate. See the discussion on General Sales Taxes in Chapter 21.

If your income was more than \$19,999 but less than \$100,000, compute your deduction as follows:

Step 1—For the first \$19,999, find the amount for your family size in the table for your State.

Step 2—For each \$1,000 or fraction of it of income over \$19,999 but less than \$50,000, add 2 percent of the amount you determined in Step 1, above.

Step 3—For each \$1,000 or fraction of it of income over \$49,999, but less than \$100,000, add 1 percent of the amount you determined in Step 1, above.

If your income was \$100,000 or more, your deduction is 210 percent of the amount determined in Step 1, above.

Income 1	Alabama 2						Arizona 3						Arkansas 2						California 4					
	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over
	1	2	3	4	5		1	2	3	4	5		1	2	3	4	5		1	2	3	4	5	
Under \$3,000	\$51	\$61	\$73	\$79	\$79		\$41	\$53	\$55	\$64	\$64	\$65	\$38	\$45	\$54	\$58	\$59		\$45	\$53	\$60	\$60	\$60	
\$3,000-\$3,999	52	76	90	98	100		50	65	68	77	79	81	47	56	67	73	74		58	68	77	77	77	
\$4,000-\$4,999	72	90	105	116	118		59	75	80	89	92	96	54	65	78	86	88		70	82	91	91	91	
\$5,000-\$5,999	82	102	119	132	136		67	85	90	99	104	109	61	76	88	93	101		82	94	105	105	105	
\$6,000-\$6,999	90	114	132	147	152		74	94	100	109	116	121	67	85	98	110	114		93	106	118	118	119	
\$7,000-\$7,999	98	125	144	161	168		81	102	110	118	127	133	73	93	108	121	126		104	118	131	132	132	
\$8,000-\$8,999	106	136	156	175	183		87	110	119	126	137	144	79	101	116	131	137		114	129	143	145	145	
\$9,000-\$9,999	113	146	167	188	193		93	118	127	134	147	155	84	109	125	141	148		124	140	155	157	157	
\$10,000-\$10,999	120	156	178	201	212		99	125	135	142	155	165	89	116	133	151	158		134	150	166	169	169	
\$11,000-\$11,999	127	165	188	213	226		105	132	143	149	165	175	94	123	141	160	168		143	160	177	181	181	
\$12,000-\$12,999	133	174	198	225	239		111	139	151	156	174	185	99	130	149	169	178		152	170	188	192	192	
\$13,000-\$13,999	139	183	208	236	252		116	145	158	163	182	194	104	137	156	178	188		161	180	198	203	203	
\$14,000-\$14,999	145	192	218	247	265		121	151	165	170	190	203	109	144	163	186	198		170	190	208	214	214	
\$15,000-\$15,999	151	201	227	258	277		126	157	172	176	198	212	113	151	170	194	207		179	199	218	225	225	
\$16,000-\$16,999	157	209	236	269	293		131	163	179	182	206	221	117	157	177	202	216		188	208	228	235	235	
\$17,000-\$17,999	162	217	245	283	303		135	169	185	188	214	230	121	163	184	210	225		197	217	238	245	245	
\$18,000-\$18,999	167	225	253	290	313		141	175	193	194	222	238	125	169	190	218	234		205	226	247	255	255	
\$19,000-\$19,999	172	233	261	300	324		145	180	199	199	229	246	129	175	196	226	242		213	234	256	265	265	

Income 1	Colorado 3						Connecticut 5						Dist. of Columbia						Florida						Georgia 2						Hawaii					
	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over	Family size (persons)					Over
	1	2	3	4	5		1	2	3	4	5		1	2	3	4	5		1	2	3	4	5		1	2	3	4	5		1	2	3	4	5	
Under \$3,000	\$35	\$48	\$49	\$59	\$59	\$60	\$42	\$49	\$58	\$58	\$58		\$41	\$50	\$62	\$67	\$57		\$30	\$40	\$44	\$44	\$44		\$40	\$49	\$59	\$65	\$65		\$69	\$87	\$91	\$101	\$101	
\$3,000-\$3,999	44	58	61	71	73	75	57	65	76	76	76		49	63	77	83	83		40	51	56	56	56		50	61	72	80	80		85	105	111	123	123	
\$4,000-\$4,999	51	68	72	82	85	88	71	80	92	92	92		56	74	89	98	99		50	62	68	68	68		58	72	85	94	94		99	120	129	143	144	
\$5,000-\$5,999	58	76	82	91	97	100	84	94	107	107	107		62	85	101	112	114		59	72	79	79	79		65	82	96	106	107		112	135	145	161	163	
\$6,000-\$6,999	64	84	91	100	107	112	97	108	122	122	122		68	95	112	124	128		68	81	89	89	89		72	91	106	118	120		123	148	159	178	181	
\$7,000-\$7,999	70	92	100	109	117	123	110	122	136	136	136		74	104	122	136	141		76	90	99	100	100		79	100	116	129	133		134	160	173	193	198	
\$8,000-\$8,999	76	99	108	117	127	133	122	135	150	150	150		79	113	132	148	154		84	99	109	110	110		85	109	125	140	145		145	172	186	208	215	
\$9,000-\$9,999	81	106	116	124	136	143	134	148	163	164	164		84	122	141	159	166		92	108	118	120	120		91	117	134	150	157		155	183	199	222	230	
\$10,000-\$10,999	86	112	124	131	145	153	145	161	176	177	177		89	131	150	170	178		100	116	127	130	130		96	125	143	159	168		165	193	211	236	245	
\$11,000-\$11,999	91	118	132	138	154	163	158	173	189	191	191		93	139	159	180	190		108	124	136	140	140		102	133	151	169	179		174	203	222	249	260	
\$12,000-\$12,999	96	124	139	145	162	172	170	185	201	205	205		97	147	167	190	201		116	132	145	150	150		107	140	159	178	190		183	213	233	261	274	
\$13,000-\$13,999	101	130	146	151	170	181	182	197	213	219	219		101	155	175	200	212		124	140	154	159	159		112	147	167	187	200		192	222	244	273	287	
\$14,000-\$14,999	106	136	153	157	178	189	194	209	225	233	233		105	162	183	210	223		132	148	162	168	168		117	154	174	196	210		200	231	254	285	303	
\$15,000-\$15,999	110	141	160	163	185	193	206	221	237	246	246		109	169	191	219	234		140	155	170	177	177		122	161	181	204	220		208	240	264	296	313	
\$16,000-\$16,999	114	146	167	169	194	206	217	233	249	259	259		113	176	198	223	245		147	162	178	186	186		127	168	188	212	230		216	248	274	307	326	
\$17,000-\$17,999	118	151	173	175	201	214	228	245	261	272	272		117	183	205	237	255		154	169	185	195	195		132	174	195	220	240		224	256	284	318	338	
\$18,000-\$18,999	122	156	179	181	208	222	239	256	272	285	285		121	190	212	246	265		161	176	194	204	204		136	180	202	228	250		232	264	293	329	350	
\$19,000-\$19,999	126	161	185	186	215	230	250	267	283	295	295		124	197	219	254	274		168	183	201	213	213		140	186	208	235	259		239	272	302	339	362	

Income 1	Idaho							Illinois 6							Indiana							Iowa							Kansas 2						
	Family size (persons)						Over 5	Family size (persons)						Over 5	Family size (persons)						Over 5	Family size (persons)						Over 5							
	1	2	3	4	5	1		2	3	4	5	1	2		3&4	5	1	2	3	4		5	1	2	3	4	5								
Under \$3,000	334	345	347	357	357	358	334	370	380	382	392	397	333	338	344	347	347		340	351	356	353	363	369	341	351	356	364	364	367					
\$3,000-\$3,999	42	55	59	69	69	72	66	86	98	111	113	121	41	48	55	60	60		49	63	69	77	78	83	50	63	69	78	78	84					
\$4,000-\$4,999	48	64	69	79	82	85	77	100	115	128	133	142	49	57	65	71	72		57	73	81	89	92	98	53	74	82	90	92	100					
\$5,000-\$5,999	56	73	79	88	91	97	87	114	131	141	151	162	58	65	76	82	84		65	83	92	101	105	112	66	84	93	102	108	114					
\$6,000-\$6,999	62	81	88	97	104	109	97	126	145	158	163	181	63	74	85	92	95		72	92	103	111	117	125	73	93	104	112	118	127					
\$7,000-\$7,999	68	88	97	105	114	120	106	138	159	171	184	199	70	82	94	102	106		78	101	113	121	129	138	80	102	114	122	130	140					
\$8,000-\$8,999	74	95	105	113	124	130	115	149	172	184	199	216	75	89	103	111	116		84	109	122	131	140	150	86	110	124	132	142	153					
\$9,000-\$9,999	79	102	113	120	133	140	123	160	184	196	214	232	82	97	111	123	126		90	117	131	140	151	162	92	118	133	141	153	165					
\$10,000-\$10,999	84	109	121	127	142	150	131	170	196	203	228	248	83	104	119	129	136		96	124	140	148	161	173	98	125	142	150	163	176					
\$11,000-\$11,999	89	115	129	134	151	159	138	180	207	219	242	263	84	111	127	133	146		102	131	149	156	171	184	104	132	151	158	173	187					
\$12,000-\$12,999	94	121	136	140	159	168	145	190	218	230	255	277	100	118	134	146	155		107	138	157	164	181	194	109	139	159	166	183	198					
\$13,000-\$13,999	99	127	143	146	167	177	152	199	229	240	268	291	105	125	141	154	164		112	145	165	172	190	204	114	146	167	174	193	208					
\$14,000-\$14,999	104	133	150	152	175	185	159	208	240	250	281	305	110	131	143	162	173		117	151	173	180	199	214	119	153	175	182	203	218					
\$15,000-\$15,999	109	139	157	158	183	194	166	217	250	260	293	319	115	137	155	170	182		122	157	181	187	208	224	124	159	183	189	212	228					
\$16,000-\$16,999	113	145	164	164	191	202	173	226	260	269	305	332	122	143	162	178	191		127	163	188	194	217	234	129	165	191	196	221	238					
\$17,000-\$17,999	117	150	170	170	198	210	179	234	270	278	317	345	125	149	169	185	200		132	169	195	201	226	243	134	171	198	203	230	248					
\$18,000-\$18,999	121	155	176	175	205	218	185	242	280	287	328	358	130	155	176	192	208		136	175	202	208	234	252	138	177	205	210	239	258					
\$19,000-\$19,999	125	160	182	182	212	226	191	250	289	295	339	371	135	160	182	199	216		140	181	209	214	242	261	142	183	212	216	247	267					

State Gasoline Tax Table

Publication 17
Your Federal Income Tax
"The Blue Book" 52

The following list shows the tax rate on a gallon of gasoline in each State based on information available on September 1, 1973. Find the rate for your State. Then use the table below to find how much tax

to deduct for the number of miles you drove your car. If your car had 4 cylinders or less, deduct half the table amount. If the rate for your State changed during 1973, find your deduction for the miles

you drove at each rate, and add the two amounts.

If your records show that you paid more than the amount shown in the table, you can deduct the larger amount.

Alabama 7¢	Delaware 8¢	Iowa 7¢	Minnesota 7¢	New Mexico 7¢	South Carolina 8¢	Wisconsin 7¢
Alaska 8¢	(after July 31, 9¢)	Kansas 7¢	Mississippi 8¢	New York 8¢	South Dakota 7¢	Wyoming 7¢
Arizona 7¢	Dist. of Columbia 8¢	Kentucky 9¢	(after June 30, 9¢)	North Carolina 9¢	Tennessee 7¢	
Arkansas 7.5¢	Florida 8¢	Louisiana 8¢	Missouri 7¢	North Dakota 7¢	Texas 5¢	
(after June 30, 8.5¢)	Georgia 7.5¢	Maine 9¢	Montana 7¢	Ohio 7¢	Utah 7¢	
California 7¢	Hawaii 5¢	Maryland 9¢	*Nebraska 8.5¢	Oklahoma 6.5¢	Vermont 9¢	
Colorado 7¢	Idaho 8.5¢	Massachusetts 7.5¢	Nevada 6¢	Oregon 7¢	Virginia 9¢	
Connecticut 10¢	Illinois 7.5¢	Michigan 7¢	New Hampshire 9¢	Pennsylvania 8¢	Washington 9¢	
(Use 2X5¢ rate)	Indiana 8¢	(after Jan. 31, 9¢)	New Jersey 8¢	Rhode Island 8¢	West Virginia 8.5¢	

*Nebraska—For gasoline taxed at the special rate of 5.5¢ use the average of the 5¢ and 6¢ table amounts for the miles driven.

Nonbusiness Miles Driven	Tax Rate								Nonbusiness Miles Driven	Tax Rate							
	5¢	6¢	6.5¢ & 6.58¢	7¢	7.5¢	8¢	8.5¢	9¢		5¢	6¢	6.5¢ & 6.58¢	7¢	7.5¢	8¢	8.5¢	9¢
Under 3,000.....	\$7	\$9	\$10	\$10	\$11	\$12	\$12	\$13	10,000 to 10,999.....	\$39	\$46	\$50	\$54	\$58	\$62	\$66	\$69
3,000 to 3,499.....	12	14	16	17	18	19	20	22	11,000 to 11,999.....	42	51	55	59	63	68	72	76
3,500 to 3,999.....	14	17	18	19	21	22	23	25	12,000 to 12,999.....	46	55	60	64	69	74	78	83
4,000 to 4,499.....	16	19	20	22	23	25	27	28	13,000 to 13,999.....	50	60	65	70	74	79	84	89
4,500 to 4,999.....	17	21	23	24	26	28	30	31	14,000 to 14,999.....	53	64	69	75	80	85	91	96
5,000 to 5,499.....	19	23	25	27	29	31	33	35	15,000 to 15,999.....	57	68	74	80	86	91	97	103
5,500 to 5,999.....	21	25	27	30	32	34	36	38	16,000 to 16,999.....	61	73	79	85	91	97	103	109
6,000 to 6,499.....	23	28	30	32	35	37	39	41	17,000 to 17,999.....	64	77	84	90	97	103	109	116
6,500 to 6,999.....	25	30	32	35	37	40	42	45	18,000 to 18,999.....	68	82	88	95	102	109	116	122
7,000 to 7,499.....	27	32	35	37	40	43	45	48	19,000 to 19,999.....	72	86	93	100	108	115	122	129
7,500 to 7,999.....	29	34	37	40	43	46	48	51	20,000*.....	74	88	96	103	110	118	125	132
8,000 to 8,499.....	30	36	39	42	46	49	52	55	*For over 20,000 miles, use table amounts for total miles driven. For example, for 25,000 miles, add the deduction for 5,000 to the deduction for 20,000 miles.								
8,500 to 8,999.....	32	39	42	45	48	51	55	58									
9,000 to 9,499.....	34	41	44	48	51	54	58	61									
9,500 to 9,999.....	36	43	47	50	54	57	61	65									

- d) licenses such as hunting, fishing, driver's, dog, and marriage
- e) tolls, such as bridge and highway. There is an exception here in that these expenses may be deducted on a business return, Schedule C, if the expense is incurred while conducting business.

d. discussion

- 1) state and local income, and property taxes are easily determined and verified since receipts are easily obtained
- 2) the general sales tax deduction (applicable only in states that have sales taxes, obviously) is virtually impossible to keep record on
 - a) it would take an impossibly diligent person to keep track of all expenses on which sales tax is charged and then compute a true or accurate figure at the end of the year
 - b) as a result, most taxpayers are left to the mercy of the IRS Optional State Sales Tax Table found in the IRS Publication 17, "The Blue Book"
 - c) the tables are easy to use but woefully conservative
- 3) state and local gasoline taxes are somewhat easier to determine but still require a degree of diligence beyond the average taxpayer
 - a) if a taxpayer merely maintains a record of all the gasoline purchased for his automobile and multiplies the total gallonage by \$0.07, the exact deduction will be determined
 - b) again, the IRS provides an easy method of arriving at a value for this deduction based on
 - (1) the average gas consumption of the average automobile, that is, miles/gallon
 - (2) the annual mileage the average American drives
 - c) the taxpayer simply uses the State Gasoline Tax Table by using the appropriate annual mileage and tax rate
 - d) again, the IRS Tables tend to be somewhat conservative; and in the experience of the author, produces values about 30 percent below the true value
 - e) an easy and effective method of record keeping is the use of a credit card for all automotive expenses (especially for business deductions). Each charge slip lists the gallons purchased
 - f) point of CAUTION
 - (1) this is a deduction that has, in the past been badly abused by taxpayers
 - (2) if a deduction of more than \$75 is to be claimed, substantiating data must be available regardless of how the deduction is determined

5. Interest

Interest Expense		
18 Home mortgage		
19 Other (Itemize) ▶		
.....		
.....		
20 Total (add lines 18 and 19). Enter here and on line 37 ▶		

a. deductible

- 1) on the mortgage on a house, automobile, etc.
- 2) points paid by the filer when buying a house
- 3) mortgage prepayment penalty
- 4) finance charges separately stated
- 5) bank credit card interest
- 6) note discount interest
- 7) interest on personal loans

b. non-deductible

- 1) points paid by the filer when selling a house
- 2) service charges
- 3) credit investigation fees
- 4) loan fees
- 5) interest relating to tax exempt income
- 6) premium on a convertible bond

c. where to deduct

- 1) interest on personal debts is deducted on Schedule A
- 2) interest on business debts is deducted on the appropriate business return
- 3) interest paid on debts that are both personal and business must be apportioned between the business return and Schedule A in proportion to the use

d. discussion

- 1) interest records are generally rather easy to obtain and/or keep
- 2) in addition, duplicates may usually be obtained for the asking from banks, finance companies, credit unions, etc. Duplicate reports may be difficult to obtain from local businesses
- 3) the monthly statement from Sears, Wards, etc., often list the monthly charges
- 4) professional tax preparers are usually equipped with tables that will provide a close approximation of the finance charges if certain basic information such as interest rate, principle, and term of contract are known
- 5) although the IRS has not been critical of small deductions without substantiating evidence in the past, it is nevertheless advisable to maintain records since it is relatively easy

6. Contributions

Contributions (See instructions on page 11 for examples.)		
21 a	Cash contributions for which you have receipts, cancelled checks, etc.	
b	Other cash contributions. List donees and amounts. ▶	
22	Other than cash (see instructions on page 12 for required statement) . .	
23	Carryover from prior years	
24	Total contributions (add lines 21a, b, 22, and 23). Enter here and on line 38. ▶	

a. criteria for deduction

- 1) the contributions must be made to qualified organization(s)
- 2) the contributions are deductible only if all deductions are itemized (that is, a Schedule A must be submitted)
- 3) a qualified organization is generally a nonprofit organization such as
 - a) a church, synagogue, or other religious organization
 - b) "a state, U.S. possession, or political subdivision thereof," or the U.S., or District of Columbia, if made for exclusively public purposes
 - c) Community Chest, United Fund, Boy and Girl Scouts, etc.
 - d) War Veterans organizations
 - e) Civil Defense organizations
 - f) fraternal organizations operating under the lodge system if the contribution is to be used exclusively for a qualified organization. In other words, the annual lodge dues are not deductible but special assessments for qualified charities are deductible
- 4) contributions must be made in cash or property to be deductible
- 5) generally the contribution may be deducted only in the year it is made, but under certain conditions, a portion may be carried over to a subsequent year
- 6) out-of-pocket expenses incurred while performing services without compensation for a qualified organization are deductible as contributions. These may include such items as
 - a) travel expense including transportation, meals, and lodging
 - b) uniforms/special clothing such as scout leaders, unpaid hospital aides, non-stipendary priests
 - c) ski equipment for ski patrol members

- 7) fair market value (FMV) of clothes, furniture, etc., given to the Salvation Army, Good Will, etc.

b. non-deductible items

- 1) contributions to organizations such as
 - a) civic leagues
 - b) social clubs
 - c) international organizations
 - d) communist organizations
 - e) chamber of commerces
- 2) contributions to needy or worthy individuals if made directly
- 3) value for time of service to a qualified organization
- 4) blood donated
- 5) raffles, bingo, etc.

c. limitations

- 1) ingeneral, the deductible contributions for any one year cannot exceed 20 percent, 30 percent, or 50 percent of the AGI, depending on the special rules with regards to the recipient of the contribution
- 2) contributions that exceed the limitation may be carried over to subsequent years

7. Miscellaneous

Miscellaneous Deductions (See instructions on page 12.)		
30 Alimony paid		
31 Union dues		
32 Expenses for child and dependent care services (attach Form 2441) . . .		
33 Other (Itemize) ▶		
34 Total (add lines 30, 31, 32, and 33). Enter here and on line 40 . . . ▶		

a. criteria for deduction

- 1) in general, miscellaneous deductions are those expenses that are related to the production of, and/or management of income
- 2) three categories are provided by the IRS
 - a) employee expenses required to maintain employment but are not reimbursed. For example
 - (1) uniform purchase and maintenance
 - (2) union and/or professional dues
 - (3) educational expenses when employment related
 - (4) small tools and supplies
 - b) income producing expenses that are not reimbursed. For example
 - (1) gambling losses but only to the extent of winnings
 - (2) portion of home used as office (teachers, salesmen, city councilmen, etc.)

- (3) safe deposit boxes if used to store income producing bonds and securities
- c) other expenses
 - (1) income tax preparation and/or fees
 - (2) political contributions
- b. the scope of the miscellaneous deduction category is so extensive that the IRS and various other professional and labor organizations provide literature concerning deductible expenses in their specific areas
- c. very few professional or employment-related deductions need to be considered for the Schedule A by self-employed practicing optometrists since these deductions are usually taken on the Business and Profession Schedule C
- d. the only deduction of significance for optometry students and beginning practitioners is the one for child and dependent care (where spouse is also working, incapacitated, or absent)
 - 1) if this deduction is to be claimed, a Form 2441 must be filed along with the Form 1040 and Schedule A
 - 2) in general, baby sitting, nursery school, and some house-keeping expenses may be deductible if the employment of such services enables the household to increase its income, or in the case of an incapacitated spouse, the filer to earn an income
 - 3) the requirements for this deduction are
 - a) there must be a member of the household that is
 - (1) under the age 15
 - (2) or if over age 15, mentally or physically disabled or incapacitated
 - b) to qualify for (1) or (2) above the person must also qualify as a dependent of the filer
 - 4) limitations
 - a) the person being "cared for" must meet the above requirements
 - b) the deductible limit increases with each additional dependent being cared for to a maximum of \$400/month
 - c) the income limitation begins to reduce the deductible amount when the household AGI exceeds \$18,000/year. It is a progressive limitation so that at \$27,600/year, no deduction is allowed
- e. deductions for educational expenses are taken as a miscellaneous deduction
 - 1) requirements - the taxpayer may deduct educational expenses as ordinary and necessary business expenses if the education either
 - a) maintains or improves skills required by the individual in his employment, trade or business, or
 - b) meets express requirements set by the individual's employer by law, which are a condition of the employee's retaining an established employment status or rate of compensation

Expenses for Household and Dependent Care Services

▶ Attach to Form 1040 (See instructions on back)

1973

Name(s) as shown on Form 1040

Your social security number

Computation of deduction for household and dependent care services

	January	February	March	April	May	June	July	August	September	October	November	December
1 Monthly amounts incurred for employment-related expenses in the household (see General Instruction B and Specific Instructions for Line 1):												
(a) Dependent under 15 years of age												
(b) Disabled dependent												
(c) Disabled spouse												
2 Monthly amounts incurred for services outside the household for care of a dependent(s) under 15 years of age. Enter lesser of amount incurred or \$200 for one, \$300 for two, or \$400 for three or more												
3 Total (add lines 1(a), 1(b), 1(c), and 2)												
4 If you entered employment-related expenses for a disabled dependent on line 1(b), above, and the combined amount of adjusted gross income and disability payments received this year by that dependent is in excess of \$750, divide the excess over \$750 by the number of months for which you have listed amounts on line 1(b). Enter this result or the monthly amount on line 1(b), whichever is smaller, in each monthly column in which an amount is listed on line 1(b) (see Specific Instructions for Lines 4 and 5)												
5 If you entered employment-related expenses for a disabled spouse on line 1(c), above, and your disabled spouse received disability payments, divide the total disability payments received this year by the number of months for which you have listed amounts on line 1(c). Enter this result or the monthly amount on line 1(c), whichever is smaller, in each monthly column in which an amount is listed on line 1(c) (see Specific Instructions for Lines 4 and 5)												
6 Total (add lines 4 and 5)												
7 Subtract line 6 from line 3												
8 Monthly limitation	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
9 Enter lesser of line 7 or line 8												
10 If your adjusted gross income (line 15, Form 1040) is larger than \$18,000, divide the amount over \$18,000 by 24. Enter this result in each monthly column in which you have an amount listed on line 3												
11 Subtract line 10 from line 9. If line 10 is greater than line 9, enter "0"												
12 Add amounts on line 11 and enter total here												
13 Total amounts listed on line 11 paid during this taxable year or a prior taxable year (see Specific Instructions for Line 13)												
14 Enter lesser of line 12 or line 13												
15 Deductible household and dependent care expenses incurred in prior taxable year not paid until this taxable year (attach schedule showing computation of deduction—see Specific Instructions for Line 15)												
16 Allowable deduction this taxable year (add lines 14 and 15). Enter total here and include on line 32 of Schedule A, Form 1040												

- c) HOWEVER, even if one or both of the above requirements is met, expenses are not deductible if the education either
 - (1) is required so that the taxpayer can meet the minimum educational requirements for qualification in his present employment or trade or business, or
 - (2) qualifies the taxpayer for a new trade or business
- 2) deductible expenses
 - a) travel expenses
 - (1) transportation, meals, lodging, are all deductible when the taxpayer is away overnight
 - (2) transportation expense at the rate of \$0.15 (in 1974)/mile for the distance covered between the place of employment and the night school
 - (3) if the school is well beyond the homework area, the transportation cost for the round trip mileage is usually accepted
 - b) books, tuition, and fees to the extent that they are not reimbursed by the employer
 - c) educational expenses should be reported on Form 2106, Employee Business Expense and entered on Schedule A as a miscellaneous expense
- 3) a practicing optometrist would deduct educational expense, (NW Congress for example) on Schedule C, whereas his/her spouse as a teacher would use Form 2106 and Schedule A

8. Summary of Itemized Deductions

Summary of Itemized Deductions		A
35 Total medical and dental—line 10		
36 Total taxes—line 17		
37 Total interest—line 20		
38 Total contributions—line 24		
39 Casualty or theft loss(es)—line 29		
40 Total miscellaneous—line 34		
41 Total deductions (add lines 35, 36, 37, 38, 39, and 40). Enter here and on Form 1040, line 45 ▶		

To simplify the summation of the itemized deductions, the total from each category is transferred to and listed on the assigned lines. The total is then entered on Line 41 of Schedule A and also on Line 45, Part III of Form 1040

D. Form 3903 - Moving Expense Adjustments

1. General Considerations

- a. who may use the moving expense adjustments? Any employee or self-employed person that moves his/her residence
- b. criteria for qualifying for the adjustment
 - 1) distance - the adjustment is allowed only if
 - a) the change in job has added at least 50 miles to the distance to work from the old residence, or
 - b) if there was no former principal place of work, the new principal place of work is at least 50 miles from the former residence
 - c) the distance between the two points shall be the shortest of the more commonly traveled routes between the two points
 - 2) time factors - the adjustment is allowed only if either
 - a) during the 12 month-period immediately following the arrival in the general location of the new principal place of work the taxpayer is a full-time employee at least 39 weeks, or
 - b) during the 24-month period immediately following arrival in the general location of the new principal place of work, the taxpayer is a full-time employee or is self-employed on a full-time basis during at least 78 weeks, of which not less than 39 weeks are during the 12-month period following arrival
- c. discussion
 - 1) it should be noted that there is no stipulation as to why the move was made. There is no "requirement" for the reason or even the reasonableness of the move. As long as the distance and time requirements are met, any reasonable expenses may be claimed and are deductible on the Form 3903
 - 2) when a joint return is filed there is no requirement that whoever (filer or spouse) was employed at location A must be employed at location B. It only requires that somebody be employed for 39 weeks during the first 12 months at the new location. Therefore, the wife may be employed at A and after the move the ex-student optometrist may be the employed party
- d. documentation - records

Documentation of all moving expenses must be especially thorough. Tax returns including a moving expense adjustment are frequently audited

2. Moving Expense Categories

- a. direct expenses are those incurred in the actual transport of family and household from one location to the new location. These expenses include
 - 1) the cost of transportation, such as

- a) the expense of a moving company
 - b) the cost of a U-Haul rental truck or trailer
 - c) handtruck and furniture pad rental
 - d) gas and oil for the rental truck
 - e) car top carrier rental
 - f) mileage for the family automobile for the move may be calculated at \$0.07/mile (1974). If more than one automobile is driven during the move, \$0.07/mile may be taken for each one. A towed vehicle does not qualify for the mileage deduction. At today's costs it is better to tow the second auto since the tow bar would be a deductible expense
 - g) the expenses listed above are totaled and entered on Line 1 of Form 3903
- 2) the cost of meals, and lodging for time spent between locations is deductible and is entered on Line 2
- b. indirect expenses include
- 1) pre-move travel, meals, lodging expenses incurred while house hunting after securing employment or establishing the fact of intent to set up a practice in the new location. The total of these expenses are entered on Line 3
 - 2) temporary living expenses in the new location during any period of 30 consecutive days after obtaining employment may be deducted and the total of these expenses are entered on Line 4. These expenses may include
 - a) rent
 - b) food, especially if not prepared in the temporary home
 - c) utilities
 - d) laundry expenses
 - 3) the expenses totaled on Lines 3 and 4 are added and the sum entered on Line 5
 - 4) Line 6 incorporates one of the limitations exercised in Form 3903
 - a) if the return is a joint, single, or head-of-household return, the limitation on all of the preceding expenses is \$1000.
 - b) if the return is a married filing separately, the limitation is \$500.
 - c) the amount entered on Line 6 is the lesser of either the amount on Line 5 or the appropriate limitation
 - d) NOTE. This limitation only applies to the indirect expenses
- c. expenses incident to sale or exchange of the former residence or settlement of an unexpired lease on the former residence are totaled and entered on Line 7. These expenses may include
- 1) realtor's commission
 - 2) escrow fees
 - 3) title fees
 - 4) termite inspection

- 5) see the section on Form 2119 and TCA Statement CP for a more detailed listing of deductible items

- d. expenses incident to purchase of a new residence or acquiring a new lease are totaled and entered on Line 8
- e. the total of expenses entered on Lines 6, 7, and 8 is entered on Line 9

3. Final Calculations

- a. Line 10 incorporates the second limitation imposed on the Form 3903
 - 1) if the return is a joint, single, or head-of-household return, the limitation is \$2500.
 - 2) if the return is a married filing separately, the limitation is \$1250.
 - 3) the amount entered on Line 10 is the lesser of Line 9 or the appropriate limitation
- b. Lines 1, 2, and 10 are totaled and the amount is entered on Line 11 as the total moving expense
- c. the amount of any reimbursements and allowances received is entered on Line 12 if these amounts were not included on the W-2 form. If they were included on the W-2, then do not enter the amount of reimbursement on Line 12
- d. if an entry was made on Line 12, find the difference between Line 11 and Line 12
 - 1) if Line 11 is greater than Line 12, enter the amount on Line 13 and on Line 40, Part II of Form 1040. This is the total Moving Expense Adjustment
 - 2) if Line 11 is less than Line 12, enter the amount on Line 14 and on Line 37, Part I of Form 1040. This is income

4. Complications for Recordkeeping

This is best explained by way of an example. Dr. Quanta completed his professional education June 1, 1975. On February 1, 1975 he entered into an agreement with Dr. Scattering to set up a joint practice. On February 21-24 Dr. and Mrs. Quanta traveled to Dr. Scattering's vicinity to 1) work out details concerning the new joint practice and 2) to find a house. Additional trips were made on March 15-20, April 30-May 4, May 28-June 6 for the same purposes. All the expenses incurred on these trips is deductible from the minute that the agreement was concluded. The problem is that while all of the expenses may be taken as house hunting expenses and deducted via the Form 3903, it is more advantageous to take Dr. Quanta's share of the expenses as a business expense on the Schedule C. This will reduce the amount of Self-Employment Tax to be paid. This is also the correct way to handle the problem. The headache is that it is not a simple matter of dividing all the expenses in half. For example, the motel usually has a basic rate (\$15 for a single) and a rate for additional occupancy (\$20 for double). Therefore the portion of the motel bill allotted to the Schedule C as a business expense would be \$15 and the \$5 would be Mrs. Quanta's expense which would be allotted to the Moving Expense Adjustment. Some other expenses may be split 50-50, so each expense must be considered on its own.

Moving Expense Adjustment

► Attach to Form 1040.

63
1973

Name(s) as shown on Form 1040

Social security number

- (a) What is the distance from your former residence to your new business location? miles
(b) What is the distance from your former residence to your former business location? miles

Note: The moving expense deduction is not allowed unless distance (a) is 50 or more miles farther than distance (b). (See instruction A.)

- 1 Transportation expenses to move household goods and personal effects
2 Travel, meals, and lodging expenses to move from former residence to new place of residence
3 Pre-move travel, meals, and lodging expenses to search for a new residence after obtaining employment
4 Temporary living expenses in new location (or area) during any period of 30 consecutive days after obtaining employment

- 5 Total (Add lines 3 and 4.)
6 Enter lesser of the amount on line 5 or \$1,000 (\$500 if married, filing a separate return, and you resided with your spouse who also started work during the taxable year)

- 7 Expenses incident to: (Check one.)
(a) ☐ sale or exchange of taxpayer's former residence; or,
(b) ☐ if nonowner, settlement of an unexpired lease on former residence

- 8 Expenses incident to: (Check one.)
(a) ☐ purchase of a new residence; or,
(b) ☐ if renting, acquiring a new lease

- 9 Total (Add lines 6, 7, and 8.)

Note: If you use expenses of selling your old residence (line 7(a)) or purchasing a new residence (line 8(a)) as part of your moving expense and line 9 exceeds \$2,500 (\$1,250 if married, filing a separate return, and you resided with your spouse who also started to work during the taxable year), you may apply the excess as a reduction in the amount shown on line 7(a) and/or 8(a) and consider such reduction as a decrease in the realized gain on the sale of your residence or as an increase in the basis of your new residence or both.

- 10 Enter lesser of the amount on line 9 or \$2,500 (\$1,250 if married, filing a separate return and you resided with your spouse who also started to work during the taxable year). (See instruction C(2).)

- 11 Total moving expenses (Add lines 1, 2, and 10.)

- 12 Reimbursements and allowances received for this move (other than amounts included on Form W-2) (See instruction L.)

- 13 If line 12 is less than line 11, enter the excess expenses here and on line 40, Form 1040

- 14 If line 12 is larger than line 11, enter the excess reimbursements and allowances here and on Form 1040, line 37, as "Excess moving reimbursement"

Instructions

A. Who May Deduct Moving Expenses.—An employee or self-employed individual may deduct reasonable moving expenses paid or incurred during the taxable year in connection with his move to a new principal place of work.

The deduction is allowed only if (a) the change in job locations has added at least 50 miles to the distance to work from the old residence, or (b) if there was no former principal place of work,

the new principal place of work is at least 50 miles from the former residence. The distance between two points shall be the shortest of the more commonly traveled routes between the two points.

Also, the deduction is allowed only if either (a) during the 12-month period immediately following arrival in the general location of the new principal place of work the taxpayer is a full-time employee during at least 39 weeks, or (b)

during the 24-month period immediately following arrival in the general location of the new principal place of work, the taxpayer is a full-time employee or is self-employed on a full-time basis during at least 78 weeks of which not less than 39 weeks are during the 12-month period following arrival.

B. The 39 Week/78 Week Test.—The 39 week/78 week test referred to in Instruction A may be disregarded if it is

(Continued on back)

terminated because of death, disability, involuntary separation from employment (other than for willful misconduct) or transfer for the benefit of an employer.

If the 39 week/78 week test has not been satisfied before the time for filing the return for the taxable year in which moving expenses were paid or incurred, but will later be satisfied, moving expenses may still be deducted in the year when paid or incurred.

If, however, the 39 week/78 week test is not satisfied at the close of a later taxable year, then an amount equal to the deduction for moving expenses taken in the prior year shall be included in income for the first such later taxable year; unless, an amended return is filed for the year in which the deduction was claimed, and is eliminated.

C. Deductible Moving Expenses.—

(1) *Expenses Not Subject to a Dollar Limitation, lines 1 and 2.*—These types of expenses are as follows:

(a) Expenses for the movement of household goods and personal effects from the former residence to the new residence, and

(b) Traveling expenses (including meals and lodging) from the former residence to the new place of residence (not to be confused with other traveling expenses, explained below).

(2) *Expenses Subject to a Dollar Limitation, lines 3, 4, 7, and 8.*—These types of expenses are as follows:

(a) Traveling expenses (including meals and lodging) after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the primary purpose of finding a new residence,

(b) Meals and lodging expenses while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, and

(c) Qualified expenses attributable to the sale, purchase, or lease of a residence.

These C(2) expenses are subject to an overall per move limitation of \$2,500, of which the expenses described in C(2)(a) and C(2)(b) cannot exceed \$1,000.

In the case of a taxpayer and his spouse who both commence work at new principal places of work during the taxable year, the two commencements will be considered a single commencement of work, for purposes of assigning the dollar limitations in C(2), if as of the close of the taxable year, they have shared the same new residence. If they file separate returns, these types of expenses are subject to an overall per move limitation of \$1,250, of which the expenses described in C(2)(a) and C(2)(b) cannot exceed \$500. However, if the taxpayer and his spouse have not shared the same new residence nor made specific plans to share the same new residence within a determinable time, the separate commencements of work will be considered separately. If they file separate returns, these types of expenses are subject to an overall per move limitation of \$2,500, of which the expenses described in C(2)(a) and C(2)(b)

cannot exceed \$1,000. If they file a joint return, these types of expenses are subject to an overall per move limitation of \$5,000, of which the expense described in C(2)(a) and C(2)(b) cannot exceed \$2,000.

D. "Reasonableness" of Moving Expenses.—The term "moving expenses" includes only those expenses that are reasonable under the circumstances of the particular move. Expenses related to members of the taxpayer's household include only those expenses for members who have both the taxpayer's former residence and his new residence as their principal place of abode. Members of the taxpayer's household generally do not include, for example, a servant, governess, chauffeur, nurse, valet, etc.

E. Household Goods and Personal Effects.—Expenses of moving household goods and personal effects from the taxpayer's former residence to his new residence include the actual cost of transportation or hauling, packing and crating, in-transit storage, and insurance.

F. Traveling Expenses from the Taxpayer's Former Residence to His New Residence.—These include the cost of transportation, meals, and lodging (including costs for the date of arrival). The deduction for traveling expenses from the taxpayer's former residence to his new residence is allowable for only one trip. However, it is not necessary that the taxpayer and all members of his household travel together or at the same time. To compute the cost of transportation in cases where the taxpayer uses his own car, see Instruction G below.

G. Traveling Expenses, after Obtaining Employment, from the Former Residence to the General Location of the New Principal Place of Work, and Return, for the Principal Purpose of Searching for a New Residence.—Traveling expenses are deductible only if (1) the trip is begun after the taxpayer has obtained employment in the general location of the new principal place of work; (2) the taxpayer returns to his former residence after searching for a new residence in the general location of the new principal place of work; and (3) the taxpayer's principal purpose in traveling to the general location of the new principal place of work is to search for a new residence.

The deduction for expenses of traveling for the principal purpose of looking for a new residence is not limited to any number of trips by the taxpayer and by members of his household. Moreover, a trip need not result in acquisition of a lease of property or purchase of property for it to be deductible.

If a taxpayer uses his own automobile for this transportation, he can compute the transportation expenses in either of two ways: (1) Actual out-of-pocket expenses. For example, gasoline, oil, repairs, etc. Or (2) at a rate of six cents a mile. If out-of-pocket expenses are claimed, an adequate record must be kept to verify amounts. If the optional method of six cents a mile is used, attach a schedule verifying the mileage.

H. Expenses of Meals and Lodging while Occupying Temporary Quarters.—These are deductible for any 30 consecutive days after the taxpayer has obtained employment in the general location of the new principal place of work.

I. Qualified Expenses Attributable to the Sale, Purchase or Lease of a Residence.—This term means only those reasonable expenses (such as, sales commissions, advertising expenses, attorney and legal fees, title fees, escrow fees, and State transfer taxes) incident to (a) the sale or exchange of the former residence (not including expenses for work performed on the residence to assist in its sale) which would be taken into account in determining the amount realized on the sale or exchange; (b) the purchase of a new residence which otherwise would be included in (i) the adjusted basis of the new residence, or (ii) the cost of the loan (but not including payments or prepayments of interest); (c) the settlement of an unexpired lease on property used as a former residence; or (d) the acquisition of a lease on property which will become the new residence (excluding payments or prepayments of rent).

J. Nondeductible Expenses.—Moving expenses do not include, for example, any loss incurred on the sale, exchange, or other disposition of property, mortgage penalties, cost of refitting rugs or draperies, losses due to the disposal of memberships in clubs, tuition, and similar items.

K. Self-employed Individuals.—A self-employed individual is defined as one who performs personal services as (a) the owner of the entire interest in an unincorporated trade or business, or (b) a partner in a partnership carrying on a trade or business.

For expenses to be deducted on lines 3 and 4 by a self-employed person, the condition of having obtained employment is met when substantial arrangements have been made to commence work.

L. Reimbursements and Allowances.—All reimbursements and allowances for moving expenses must be included in income. In general, an employee will find such reimbursements and allowances included in his Form W-2. However, if there is doubt, he should check with his employer. Line 12 is provided for the reporting of reimbursements and allowances if such items are not included elsewhere on Form 1040 or related schedules.

M. No Double Benefits.—The amount realized on the sale of your old residence shall not be reduced by any expenses which become part of your moving expense deduction on line 7, and the basis of your new residence shall not be increased by the amount of any expenses which become part of your moving expense deduction on line 8. If such expenses are included in income because some condition for the allowance of this deduction has not been met, an appropriate adjustment to the selling price and/or basis may be made.

N. Publication 521.—For additional information you may obtain Publication 521, Tax Information on Moving Expenses, at an Internal Revenue Office.

E. Form 2119 - Sale or Exchange of Personal Residence

1. General Information

a. why and when to file Form 2119

- 1) Form 2119 should be filed in any year when a personal residence is sold
- 2) this form is used to determine the gain/loss on the transaction, and to report the information to the IRS
- 3) this form is also used to determine the adjusted basis in the new house in the event that the taxes on the gain are to be deferred

b. reporting the gain

when a residence is sold at a gain,

- 1) the gain must be reported as income and income tax paid on the gain
- 2) the gain may be either
 - a) long-term gain if the residence was owned for more than six months and only 50 percent of the gain subject to tax, or
 - b) short-term gain if the residence was owned for six months or less and the gain 100 percent taxable

c. reinvestment of capital

- 1) if within one year of the date of sale of the former residence, the taxpayer reinvests the proceeds from the sale of the house in another house of equal or greater value, the tax on the gain of the sale of the former house may be deferred to a later date
- 2) the deferred gain is used to adjust the basis in the new house. This is the method the IRS uses to bank or save/store the gain
- 3) example

Note: gain = sales price - basis

House A purchase price = \$10,000

House A basis = 10,000

House A sales price = 15,000

Gain on House A = 5,000

The gain is to be deferred

House B purchase price = 20,000

House A gain = 5,000

House B basis = 15,000

If House B were now sold for \$20,000 and no reinvestment made, the gain would be taxable. The taxable gain is the gain deferred from the sale of House A.

- 4) it is important to remember that the basis is the original purchase price plus the cost of purchase and any improvements

d. reporting a loss

- 1) there is no method or means of taking a loss on the sale of a personal residence

- 2) a loss cannot be taken and used as an increase to the basis of the next house
- 3) the only way to handle a sale of a personal residence sold at a loss is to
 - a) convert the property to a rental property for at least one year and then sell at a loss (this would be a business loss). This would require the filing of Form 4831, Rental Income, to substantiate the claim that the house was rental property (a business asset).
 - b) transfer some of the expenses of the sale to the Moving Expense Adjustment, Form 3903. In this way some of the loss may be absorbed and used to reduce the Adjusted Gross Income

2. Use of the Form 2119

- a. the first section at the top of page 1 contains
 - 1) taxpayer identification
 - 2) Lines 1 and 2 are merely the date of sale of the former residence and purchase date of the new residence plus a few pertinent questions to establish
 - a) if there may be any depreciation to recover if any part of the house was used for business purposes
 - b) asset value distribution between filer and spouse (in the event that the house is sold later and the assets distributed during a divorce)
 - c) qualification for over 65 years of age \$20,000 exclusion

Name(s) as shown on Form 1040			Your Social Security Number		
1. Date former residence sold	1. If you were married, do you and your wife (husband) have the same proportionate ownership interest in your new residence as you had in your old residence? (If "No," see the Consent on other side.) 3a. Were you 65 or older on date of sale? (If you answered "Yes," see Note below.) b. If you answered "Yes" to 3a, did you use the property sold as your principal residence for a total of at least 5 years (except for short temporary absences) during the 8-year period preceding the sale? c. If you answered "Yes" to 3b, do you wish to elect to exclude gain on the sale from your gross income?			Yes	No
2a. Date new residence bought					
b. If new residence was constructed for you, date construction began					
c. Date you occupied new residence					
d. Were both the old and new properties used as your principal residence?	Yes	No			
e. Were any rooms in either residence rented or used for business purposes at any time? (If "Yes," explain on separate sheet and attach.)					

b. computation of Gain and Adjusted Sales Price

- 1) Schedules I, II, and III should be completed before attempting this computation
 - a) as a method of explaining what items are included in Schedules I, II, and III of Form 2119, a separate Statement CP (Cost of Property) form used by the Tax Corporation of America is included
 - b) Statement CP is more detailed and explicit with regard to deductible expenses that may be used on Schedules I, II, and III

c) Schedule I

SCHEDULE I—Commissions and Other Expenses of Sale (Line 5)

This includes sales commissions, advertising expenses, attorney and legal fees, etc., incurred to effect the sale of the old residence. Enter the name and address of the payee and the date of payment for each item.

Item explanation	Amount
	\$

- (1) is the portion of sale of personal residence related expenses that may be used (all or part of) as a deduction on the Moving Expense Adjustment, Form 3903. That is, the expenses may be divided, on an item basis (rather than dollar basis) between the Form 2119 and Form 3903 to produce the most favorable tax result
 - (2) if certain expenses are deducted on one of the forms, they must be omitted from the other
 - (3) if including the Schedule I type expenses on Form 2119 would produce a net loss on the sale of the residence (which as previously stated may not be used to either reduce income or increase the basis in a new house), then by transferring all or part of the Schedule I type expenses to Form 3903, a decrease in taxes may be produced
 - (4) Schedule I type expenses are usually reported in detail on the Escrow papers
 - (5) these expenses reduce the sales price
- d) Schedule II expenses must be documented by receipts, retained over many years

SCHEDULE II—Basis of Old Residence (Line 7)

This includes the original cost of the property to the taxpayer, commissions, and other expenses incurred in its purchase, the cost of improvements, etc., less the total of the depreciation allowed or allowable (if any), all casualty losses previously allowed (if any), and the nontaxable gain (if any) on the sale or exchange of a previous personal residence.

Item explanation	Amount
	\$

- (1) this is often a problem since many people do not keep records long enough. They are misled by an erroneous concept of the "statute of limitations"
- (2) another problem with some items such as drapes, carpeting, and some appliances (built-ins) is that these items must be prorated in terms of the useful life

left at the time of the sale. That is, if new carpeting with a useful life of 10 years and costing \$500 is sold with the house after only five years of use, the allowable deduction is only \$250

(3) these expenses are used to determine the basis of the former residence

e) Schedule III expenses are only those incurred as "fixing up" expenses within 90 days of the date of sale. These expenses reduce the gain on the sale

SCHEDULE III—Fixing-up Expenses (Line 9)

These are decorating and repair expenses which were incurred solely to assist in the sale of the old property, and which are not ordinarily deductible in computing taxable income nor taken into account in computing the basis of the old residence or the amount realized from its sale. Fixing-up expenses must have been incurred for work performed within 90 days before the contract to sell was signed, and must have been paid for not later than 30 days after the sale.

Item explanation	Date work performed	Date paid	Amount
			\$

2) the Computation of Gain and Adjusted Sales Price

Computation of Gain and Adjusted Sale Price

4. Selling price of residence (do not include selling price of personal property items)	
5. Less: Commissions and other expenses of sale (from Schedule I on other side)	
6. Amount realized	
7. Less: Basis of residence sold (from Schedule II on other side)	
8. Gain on sale (line 6 less line 7). If line 7 is more than line 6, there is no gain; and no further entries should be made on this form	
9. Fixing-up expenses (from Schedule III on other side)	
10. Adjusted sales price (line 6 less line 9)	

If you answered "No" to question 3a or 3c, complete only lines 11 through 14.

If you answered "Yes" to question 3c, complete lines 15 through 17, or 15 through 20, whichever is applicable.

- this is rather a straight-forward computation. First transfer the information from Schedules I, II, and III to the appropriate lines on page 1
- the Gross Selling Price (Line 4) minus the amount from Schedule I (Line 5) produces the amount realized (Net Sales Price) which is entered on Line 6
- the basis of the former residence from Schedule II is subtracted from Line 6. The difference is the gain on the sale. The gain is entered on Line 8. If there is no gain, no further entries on Form 2119 need be made

- d) if Line 8 shows a gain, the Fixing-up expense on Line 9 (from Schedule III) is subtracted from the amount on Line 6 to produce the Adjusted Sales Price (which is entered on Line 10)
- e) the questions at the end of this section refer back to Taxpayer Identification/Information section at the top of page 1. Depending on the answers to the questions, the filer is directed to one or the other of the two remaining sections of Form 2119

c. Computation of Gain to be reported and Adjusted Basis of New Residence - General Rule

Computation of Gain to be Reported and Adjusted Basis of New Residence—General Rule	
11. Cost of new residence	
12. Gain taxable this year (line 10 less line 11, but not more than line 8). If line 11 is more than line 10, enter zero. Enter here and in column f, line 1, or line 6, Schedule D (Form 1040), whichever is applicable	
13. Gain on which tax to be deferred (line 8 less line 12)	
14. Adjusted basis of new residence (line 11 less line 13)	

- 1) if the price of the new residence, Line 11, is less than the sales price of the former residence, the amount of the gain is entered on Line 12 - Line 10 less Line 11. Line 12 cannot exceed Line 8; that is, Line 12 is the smaller of 1) Line 10 minus Line 11 or, 2) Line 8
- 2) if the price of the new residence is greater than the sales price of the former residence, then Line 12 is entered as zero and the gain may be deferred
- 3) the amount to be deferred is determined by subtracting Line 8 from Line 12. This is entered on Line 13
- 4) the adjusted basis of the new residence is determined by subtracting Line 12 from Line 11. This amount is entered on Line 14
- 5) the gain is reported, if tax must be paid on it, by transferring the amount on Line 12 of Form 2119 to Line 1, Column f, Schedule D if the gain is short term or Line 6 Schedule D if the gain is long term

d. Computation of Exclusion, Gain to be Reported and Adjusted Basis of New Residence - Special Rule

Computation of Exclusion, Gain to be Reported and Adjusted Basis of New Residence—Special Rule (For use of taxpayers 65 years of age or over who checked "Yes," in 3(c) above.)	
15. If line 10 above is \$20,000 or less, the entire gain shown on line 8 is excludable from gross income. If line 10 is over \$20,000, determine the portion of the gain excludable as follows:	
a. Divide amount on line 10 into \$20,000	
b. Portion of gain excludable (multiply amount on line 8 by figure on line 15a) enter result here	
16. Portion of gain not excludable (line 8 less line 15b)	
17. Cost of new residence. If a new personal residence was not purchased, enter "None," and do not complete the following lines. The amount shown on line 16 should then be entered in column f, line 6, Schedule D (Form 1040)	
18. Gain taxable this year (line 10 less lines 15b and 17, but not more than line 16). If line 17 plus line 15b is more than line 10, enter zero. Enter here and in column f, line 6, Schedule D (Form 1040)	
19. Gain on which tax to be deferred (line 16 less line 18)	
20. Adjusted basis of new residence (line 17 less line 19)	

Discussion of this section will be omitted since there are probably no beginning optometrists 65 years of age or older (though a couple are close).

Last Name _____

Address _____

Date of purchase ____/____/____

City _____

State _____

Date of sale ____/____/____

TOTALS

PURCHASE PRICE

Additional Purchase Costs

Do not include amounts deducted as
INDIRECT MOVING EXPENSES IN PRIOR YEARS

Completing Documents
Credit Report
Demand Process. Fee
Escrow Fee
Forwarding Fee
Insurance Endors. Fee
Legal Fee
Loan Fee
Loan Tie In Fee
Notary Fee
Realtor's Commission

Reconveyance Fee
Recording of Documents
Tax Service
Termite Investigation
Termite Report
Title Policy

TOTAL ADDITIONAL PURCHASE COST

Improvement Cost

Schedule II

Air Conditioner
Assessments
Awnings
Carpeting (FMV)
Drapes (FMV)
Electrical
Fence
Fixtures
Floor Improvements
Garage
Garbage Disposal
Heater
Insulation
Landscaping
Patio

Fair Market Value or Cost (whichever is less)
of items sold with home (not included elsewhere).
Example: Refrigerator, Furniture, etc.

Plumbing
Remodeling
Roof Improvements
220 Volt Line (stove)
Walks
Wall Paper
Water Softener

TOTAL IMPROVEMENT COST

Sales Costs

Schedule I

Do not include amounts deducted as
INDIRECT MOVING EXPENSES THIS YEAR

Completing Documents
Credit Report
Demand Process. Fee
Escrow Fee
Forwarding Fee
Insurance Endors. Fee
Legal Fee
Loan Fee
Loan Tie in Fee
Notary Fee

Realtor's Commission
Reconveyance Fee
Recording of Documents
Stamp Tax
Tax Service
Termite Investigation
Termite Report
Title Policy
Appraisal Fee

TOTAL SALES COST

Schedule III

TOTAL COSTS

Non-Capitol Fix-Up Costs within last 90 days (to be computed for adjusted sales price only)

Electrical
Paint
Plumbing
Window and Screen

TOTAL FIX-UP COSTS

IV. The Business and/or Professional Return

A. Schedule C - Profit or (Loss) from Business or Profession

1. The Schedule C is divided into three basic parts

a. General Information - Part I

b. Income - Part II

c. Expenses/Deductions - Part III

detailed reporting of expenses is accomplished on various sub-schedules

1) Sub-schedule C-1. Cost of Goods Sold and/or Operations

2) Sub-schedule C-2. Explanation of

a) Line 7, Taxes on Business Property

b) Line 9, Repairs (on Business Property)

3) Sub-schedule C-3. Depreciation

4) Sub-schedule C-4. Expense Account Information

2. Part I - General Information

Name(s) as shown on Form 1040		Social security number	
A Principal business activity (see Schedule C Instructions) ▶; product ▶			
B Business name ▶		C Employer identification number ▶	
D Business address (number and street) ▶			
City, State and ZIP code ▶			
E Indicate method of accounting: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other ▶			
F Were you required to file Form W-3 or Form 1096 for 1973? (See Schedule C Instructions.)			
If "Yes," where filed ▶			
G Was an Employer's Quarterly Federal Tax Return, Form 941, filed for this business for any quarter in 1973?			
H Method of inventory valuation ▶ Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? (If "Yes," attach explanation)			

- Lines A through D identifies and locates the business/profession
- Line E identifies the accounting method. See II.C.4. for details on methods
- Line F. Does not apply for the intended readers of this paper
- If the optometrist employs an assistant or secretary, he must withhold taxes from her/his wages. This money must be sent in to the IRS each quarter with Form 941. All that is required on Schedule C is that a check be placed in the box at the end of Line G to inform IRS if it was submitted
- Line H presents a bit of a problem since in theory and practice few optometrists hold an inventory of materials that are for sale. The best procedure to follow will be for each beginning optometrist to make inquiries, in his/her own locale of practicing optometrists conducting their practice in a manner similar to yours, and find out how they handle the problem. The IRS will give information that will require extensive reporting and the accrual method of accounting. Most practitioners are not as yet changing to the accrual method and therefore do not make an entry on Line G

3. Part II - Income

Income	1 Gross receipts or sales \$..... Less: returns and allowances \$..... Balance ►		
	2 Less: Cost of goods sold and/or operations (Schedule C-1, line 8)		
	3 Gross profit		
	4 Other income (attach schedule)		
	5 Total income (add lines 3 and 4)		

- a. the Gross Income/receipts are entered on Line 1 at the left. Returns and allowances are subtracted and the balance entered on Line 1 at the right
- b. the Cost of Goods Sold and/or Operations, detailed in Sub-schedule C-1, is entered on Line 2

SCHEDULE C-1.—Cost of Goods Sold and/or Operations (See Schedule C Instructions for Line 2)

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)		
2 Purchases \$..... Less: cost of items withdrawn for personal use \$..... Balance ►		
3 Cost of labor (do not include salary paid to yourself)		
4 Materials and supplies		
5 Other costs (attach schedule)		
6 Total of lines 1 through 5		
7 Less: Inventory at end of year		
8 Cost of goods sold and/or operations. Enter here and on line 2 above		

- 1) Inventory, Line 1 of C-1
 - a) the IRS currently believes that optometrists should report their frame samples as inventory
 - b) if this idea succeeds, optometrists may be forced to change to an accrual method of accounting. This is basically a commercial method (hardware store, for example)
 - c) in theory and practice, most optometrists' inventory does not "turn over" or change during the year since the frames held are not for sale
 - d) it is preferable that the frames be considered a capital asset so that they may be depreciated, since the frames do become outdated and suffer from mechanical damage due to handling during fittings
 - e) this problem is aggravated by those optometrists that derive a significant portion of their income from the "mark up" on the lab costs
- 2) Purchases - Line 2
 - a) this is the entry point for the lab costs
 - b) this could also include repair materials such as screws, silver solder, etc., if included in lab costs/billings
 - c) from this sum the cost of materials withdrawn for personal use is subtracted and the difference entered as the balance at the left on Line 2
- 3) Cost of Labor - Line 3
 - a) this refers to in-office labor for a receptionist and/or technician
 - b) this is the Gross Income paid employees
 - c) labor costs to an accountant or tax preparer are entered in Part III, Line 10

- 4) Materials and Supplies - Line 4
 - a) this entry is for all expenses connected with the professional operation except the lab costs
 - b) items such as screws and other repair items for spectacles could be included here, but are better entered on Line 2
 - c) this entry is more properly used for Kim-Wipes, toilet paper, paper towels, and other miscellaneous janitorial supplies
 - d) while it is not necessary to itemize these expenses on the return, such a record should be kept in the event of an audit
 - 5) Other Costs - Line 5

any items that are deductible, but the point of entry seems uncertain, total and enter here. Be sure to attach an itemized schedule or statement
 - 6) Line 6. Add Lines 1 through 5 and enter on this line
 - 7) Line 7, 8. The inventory at the end of the year is entered at this point and then subtracted from Line 6. The difference is then entered on Line 8
 - a) unless one is wild about counting screws and hinges, etc., an estimate on these items should be adequate since the dollar amount probably will not be very large
 - b) it is doubtful that many professional persons bother with an inventory of such small items at all
 - 8) the total from Line 8 is entered on Line 2 of the Income section, Part I
- c. Gross Profit
- 1) the balance from Line 1 minus the Cost of Goods Sold and/or Operations from Line 2 determines the Gross Profit
 - 2) the Gross Profit is then entered on Line 3
- d. Other Income
- 1) income activities such as clinic advising, school district consultant would be entered on Line 4 if there was no Federal Tax withheld, or no W-2 provided by the employer
 - 2) an itemized statement must accompany the Schedule C describing the source, and amount from each source
- e. Total Income
- 1) Lines 3 and 4 are added together to determine the Total Income. The amount is entered on Line 5

4. Part II - Deductions

Deductions	6 Depreciation (explain in Schedule C-3)		
	7 Taxes on business and business property (explain in Schedule C-2)		
	8 Rent on business property		
	9 Repairs (explain in Schedule C-2)		
	10 Salaries and wages not included on line 3, Schedule C-1 (exclude any paid to yourself)		
	11 Insurance		
	12 Legal and professional fees		
	13 Commissions		
	14 Amortization (attach statement)		
	15 (a) Pension and profit-sharing plans (see Schedule C Instructions)		
	(b) Employee benefit programs (see Schedule C Instructions)		
	16 Interest on business indebtedness		
	17 Bad debts arising from sales or services		
	18 Depletion		
	19 Other business expenses (specify):		
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
(h)			
(i)			
(j)			
(k) Total other business expenses (add lines 19(a) through 19(j))			
20 Total deductions (add lines 6 through 19)			
21 Net profit or (loss) (subtract line 20 from line 5). Enter here and on Form 1040, line 28. ALSO enter on Schedule SE, line 5(a)			

a. Depreciation - Line 6

- 1) the instructions require a detailed, itemized accounting on Sub-schedule C-3
- 2) in practice, Sub-schedule C-3 is inadequate due to the limited space provided compared to the number of items that must be listed
- 3) a supplementary form, Form 4562, should be used. See IV.B. for details
- 4) in general, an asset with a cost/basis less than \$100 need not be depreciated but claimed in as a deduction in the year of purchase
- 5) an optometrist just setting up practice may wish to "post-pone" some on the deductions to subsequent years when his income is higher (and his taxes are higher also). He may lump many small items together and depreciate them
- 6) Line 6 is used to enter the total value of the depreciation of all assets pertaining to optometric practice
- 7) if the practitioner has income from other sources that involve depreciation, (from rental property for example) a separate depreciation schedule must be completed and attached to the appropriate income schedule

- 2) this would include the building, furniture, and professional equipment
- 3) a special sub-schedule is not provided to enumerate these items, but if a significant amount of the items in 2) above are rented or leased, it would be advisable to provide a separate statement/list with amounts paid on each

d. Repairs - Line 9

- 1) repairs to equipment, building, furniture, etc., must be itemized on Sub-schedule C-2
- 2) this would also include the periodic calibration and servicing of professional equipment, typewriter, adding machine, etc.

e. Salaries and Wages (not included on Line 3 of Sub-schedule C-1) - Line 10

- 1) it is difficult to understand why this entry is included
- 2) it has been customary in the author's tax preparation business to use this entry for wages paid for part-time labor
- 3) for example - if the practitioner pays a high school student to wash the windows in his building once or twice a month, he might not be considered a full-time employee. If the amount paid was below \$50 per quarter (three months), then the practitioner need not report and pay FICA taxes. Federal Income Taxes need not be withheld if the weekly earnings are less than \$11 (1974).
- 4) if the practitioner's own son/daughter is to be employed for such tasks, the same records must be kept as for any other employee. It is especially important that documentation be kept to verify that they did in fact perform the work for which the wages were paid.
- 5) the employer's share of the FICA is deductible and should be itemized on Line 19
- 6) summary/review
this entry is for wages paid for part-time labor. Wages for full-time labor, regular employees, should be deducted on Line 3 of Sub-schedule C-1

f. Insurance - Line 11

- 1) this includes all profession-related insurance
- 2) examples
 - a) mal-practice and liability
 - b) fire and theft on building and contents. If some or all of the building and contents are rented, an agreement with the owner is necessary to determine who provides what insurance
 - c) mutual partnership insurance premiums. Only if the beneficiary is the family of the insured rather than the partner

g. Legal and Professional Fees - Line 12

- 1) retainer fee to an attorney plus any additional fees
- 2) tax preparation fee

- 3) fees to Certified Public Accountant for accounting and auditing fees
- 4) consulting fee to another optometrist or other health care professional
- 5) there are undoubtedly many more, but the above are examples of some

h. Commissions (paid) - Line 13. Not applicable to optometry

i. Amortization - Line 14

enter total here but a supplementary statement explaining the exact circumstances justifying the claim would be required. See the section on Amortization for a definition, Section II.C.12.

j. Pension and Profit Sharing Plans - Line 15a

- 1) the total amount paid into private funds is entered on this line
- 2) a Form 4848, Annual Employer's Return for Employee's Pension or Profit-Sharing Plans, must accompany the Schedule C
- 3) Form 4848 is an itemization of which fund (who and where), and the amount paid into each one for each employee
- 4) this would include Keogh Plan contributions for/by employees, but not the practitioner

k. Employee Benefit Programs

- 1) the total amount paid into these programs is entered on this line
- 2) while an itemized accounting is not required, it is advisable
- 3) examples
 - a) group life insurance premiums where the insured designates the beneficiary
 - b) group hospitalization insurance premiums
 - c) Medicare premiums for both active and retired employees
 - d) Workmans Compensation premiums if such is identified by the state as an insurance

l. Interest on Business Indebtedness - Line 16

- 1) this includes interest on only loans/mortgages connected with the business/profession
- 2) interest incurred on loan established while attending professional school are deducted as a personal expense on Schedule A

m. Bad Debts - Line 17

- 1) this deduction would be used only if the practitioner is using the accrual accounting system
- 2) see II.C.4. on Recordkeeping and Accounting Methods

n. Depletion - Line 18. Does not apply to Optometry

o. Other Business Expenses - Line 19

This includes all expenses that do not seem to fit any other category that need to be itemized

- 1) office supplies
- 2) telephone
- 3) utilities
- 4) professional dues and subscriptions
- 5) auto expense (with or without Form 2106)
- 6) small equipment purchases
- 7) professional library purchases

5. Determination of Net Profit

- a. all items on Lines 19a through j are added and the total entered on Line 19k
- b. Lines 6 through 19 are totaled and entered on Line 20
- c. subtract Line 20 from Line 5. The difference is The Net Income as is entered on Line 21 of Schedule C
 - 1) Line 28, Part I of Form 1040
 - 2) Line 5a, Schedule SE

B. Form 4562 - Depreciation and Amortization

1. Definition

- a. Depreciation - the annual deductible value (of an asset) attributed to the wear/tear of a capital used for the production of income
- b. Amortization - the acceleration of depreciation when the asset will not be used for its entire estimated useful life

2. Criteria for Depreciable Property

- a. must have a limited and determinable life of more than one year
- b. must be used in your trade or business, or
- c. held for the production of income
- d. personal property, or property used only for personal or pleasure purposes is not depreciable. For example, residence and furnishings.
- e. assets used partly for business and partly for personal uses may be pro-rated and the business portion depreciated
- f. land cannot be depreciated
- g. property acquired or disposed of during the tax year may be depreciated on a temporal pro-rated basis, for that portion of the year the asset was owned

3. Depreciation Allowed or Allowable

- a. the proper amount of depreciation deduction must be taken for each tax year
- b. if a deduction is missed, it may not be added to the next year's depreciation deduction. That is, unclaimed depreciation deductions are lost unless an amended return is filed for the year in which the deduction was omitted
- c. the aggregate of the depreciation allowed or allowable cannot exceed the cost or other basis of the property less its salvage value

4. Useful Life

- a. definition
 - the length of time you expect to use it, its age when acquired, the policy as to repairs, upkeep, and replacement
- b. average useful life
 - 1) there is none
 - 2) should be determined on the basis of your particular operating conditions, experience, and replacement policy
 - 3) the estimated useful life of an asset is the period over which the asset may reasonably be expected to be used in the trade or business
- c. the IRS concept
 - 1) the IRS does provide a recommended life span list for particular businesses
 - 2) the list does not list individual assets
 - 3) useful lives shorter than those suggested by the IRS may be used if they are consistent with the retirement and replacement practices of the profession

5. Basis for Determining Depreciation

- a. the basis is usually the cost of the property or asset
- b. the cost basis must be reduced by the amount of additional first-year depreciation if used
- c. a further reduction to the basis must be made for the estimated salvage value (unless a declining balance method of computation is used)
- d. personal property converted to business use has a basis for depreciation equal to either its fair market value or adjusted basis at the time converted, whichever is lower
- e. depreciation is never computed on the basis of what it would cost to replace the asset

6. Salvage Value

- a. the estimate of, at the time of acquisition, the salvage value that may be realized upon the sale or other disposition of the asset when it is retired from service
- b. an asset may not be depreciated beyond its salvage value
- c. determination of salvage value depends upon the individual policy
 - 1) if assets are disposed of when still in operating condition, the salvage value may be relatively high
 - 2) if the asset is used until its usefulness has been substantially exhausted, the salvage value may represent no more than junk value

7. Additional First-Year Depreciation

- a. if an asset is acquired for use in the business, or for the production of income, the owner may be entitled to an additional first-year depreciation of 20 percent of the cost/basis of the asset
- b. salvage value is not used in computing this deduction amount
- c. the additional first-year is figured before determining the first annual depreciation deduction
- d. qualifying property
 - 1) tangible personal/business property (office furniture, photocopier)
 - 2) with a useful life of six years or more
 - 3) may be used or new
- e. limitations - property that does not qualify for the additional first-year depreciation
 - 1) buildings and land
 - 2) intangible property such as patents and copyrights
 - 3) property acquired by gift or by inheritance
 - 4) property acquired from certain related parties
 - 5) the cost of an asset/property on which the additional first-year depreciation may be taken is limited to \$10,000 on a married filing separate return, and \$20,000 on a joint return
- f. computation

- 1) the additional first-year depreciation is determined by multiplying the cost or basis by 0.2 (20%)
- 2) that is, the additional first-year depreciation is 20 percent of the cost or basis of the asset

8. Methods of Computing Depreciation

- a. any method that is consistently applied may be used in computing depreciation
- b. the three methods most commonly used are
 - 1) the Straight Line
 - 2) the Declining Balance
 - 3) the Sum of the Years Digits

c. The Straight Line Method

- 1) the depreciation for each year is determined by dividing the adjusted basis of the property less the salvage value by the useful life of the property
- 2) example

Asset	Phoropter
Adjusted Basis	\$2000
Useful, depreciable life	10 years
Salvage Value	\$200
Computation	$\frac{\$2000 - \$200}{10 \text{ years}} = \$180/\text{year}$

- 3) the important point is that the annual depreciation deduction is the same for each of the 10 years of depreciable life

d. Declining Balance

- 1) under this method the amount of depreciation taken each year is subtracted from the basis of the property before computing the next year's depreciation
- 2) a subtraction for salvage value is not made when using this method. The annual depreciation deduction is stopped when an appropriate salvage value is reached
- 3) the depreciation rate is constant
- 4) the rate is applied to a progressively smaller basis balance each year
- 5) thus the depreciation deduction is smaller each year
- 6) accelerated rates
 - a) under certain circumstances a rate may be used that does not exceed twice the rate used under the Straight Line Method. This is called the Double Declining Balance Method.
 - b) other circumstances limit the rate to 125 percent or 150 percent of the Straight Line Method
- 7) example

Asset	Phoropter
Adjusted Basis	\$2000
Rate/Life	0.1/10 years
Computation	

(Basis - previous depreciation) rate = depreciation for the year

1st full year

$$(\$2000 - 0) \cdot .1 = \$200$$

2nd year

$$(\$2000 - \$200) \cdot .1 = \$180$$

3rd year

$$(\$2000 - (\$200 + \$180)) \cdot .1 = \$162$$

4th year

$$(\$2000 - (\$200 + \$180 + \$162)) \cdot .1 = \$146$$

- 8) if a more rapid rate of depreciation is desired, use a larger rate. Usually .125 (125%), .15 (150%) or .2 (200%, referred to as Double Declining Balance) are used as standard accelerated rates
- 9) it is important to remember that while the accelerated rates produce a larger depreciation deduction at first, the annual amount decreases each year. This means that when the depreciation is large the income (of a beginning optometrist) is low, and the tax rate is also low, and when the income is high, the depreciation deduction lower, and the tax rate much higher. A \$1000 depreciation deduction is worth more in tax savings when the net income is \$30,000 than when it is \$15,000
- 10) the most important concept is that EACH INDIVIDUAL MUST EVALUATE HIS FUTURE FINANCIAL STATUS IN TERMS OF GROWTH, INVESTMENTS, EXPENSES, AND GOALS and then decide what method to use

e. Sum of the Years' Digits

- 1) when using this method, a different fraction each year is applied to the adjusted basis, less the salvage value
- 2) the denominator, which remains constant, is the total of the numbers representing the years of estimated useful life of the property

Example

Useful Life

10 years

$$\text{Denominator} = 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 = 55$$

- 3) the numerator of the fraction changes each year and represents the years of life remaining at the beginning of the year for which the computation is made
- 4) example

Asset

Phoropter

Adjusted Basis

\$2000

Life

10 years

Salvage Value

\$200

Computation

$(\text{Basis} - \text{salvage value}) \cdot \text{rate} = \text{depreciation deduction for the year}$

1st year (full) (years of life remaining = 10)

$$(\$2000 - \$200) \cdot 10/55 = \$327$$

2nd year (life remaining = 9)

$$(\$2000 - \$200) \cdot 9/55 = \$295$$

3rd year (life remaining = 8)
 (\$2000 - \$200) 8/55 = \$262

- 5) this is an accelerated depreciation method, therefore what was stated about planning and forethought for the Declining Balance Method applies to this method also
- 6) depreciation by this method is allowed only on property that meets the special requirements for the 200 percent (Double Declining Balance) method. Check with the IRS on the requirements.

9. A Table for Comparison

- a. this table uses the same asset as was used in the examples above and merely shows the annual depreciation to the end of the allowable deduction

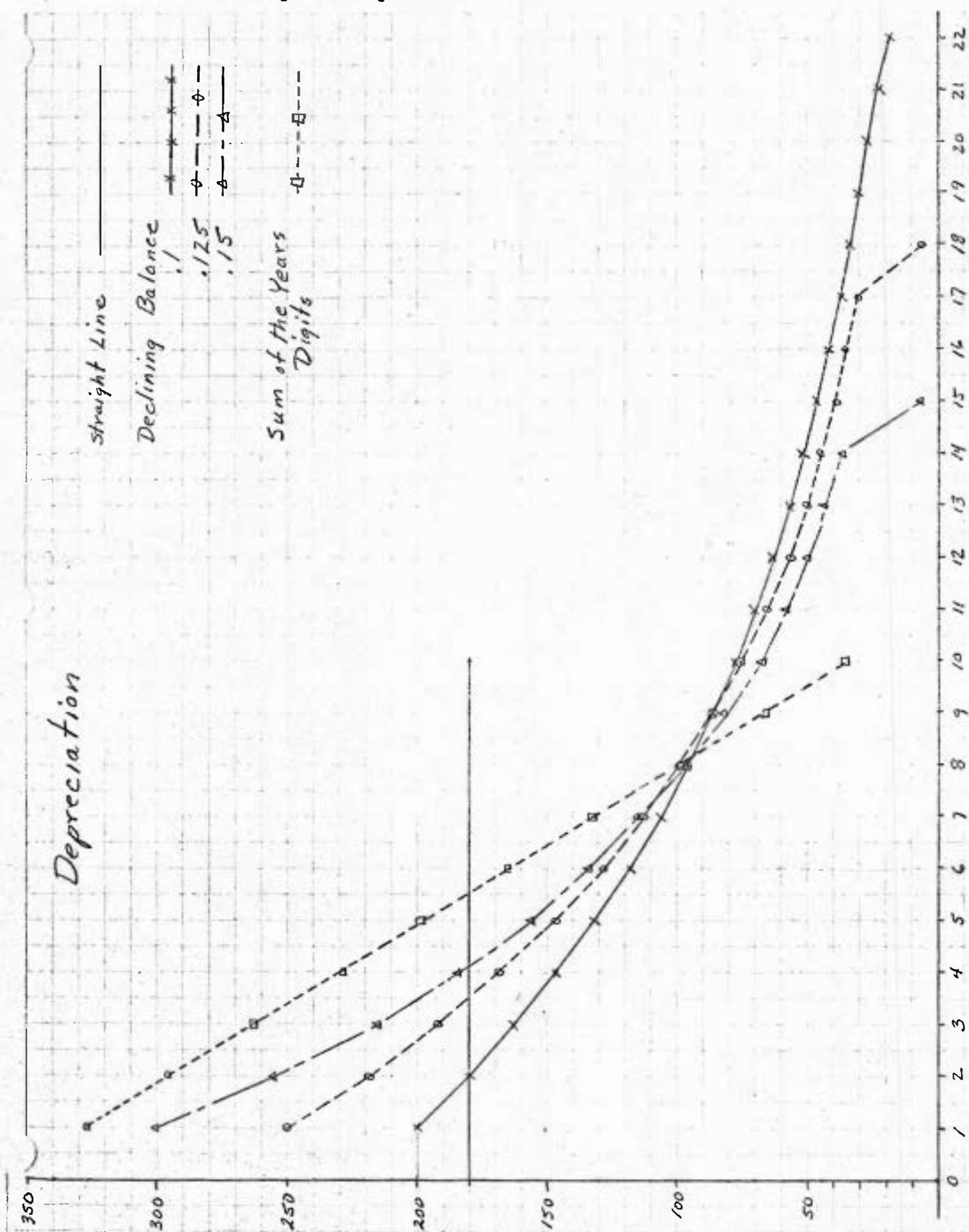
b. Comparative Depreciation Table

Rate/Life	St In 10 yrs	W/AFY	Method Declining Balance				S of Ys D 10 yrs
			.1	.125	.150	.2	
Year							
1	\$180	\$540	\$200	\$250	\$300	\$400	\$327
2	180	140	180	219	255	320	295
3	180	140	162	191	217	256	262
4	180	140	146	168	184	205	229
5	180	140	131	146	157	164	196
6	180	140	118	128	133	131	164
7	180	140	106	112	113	105	131
8	180	140	96	98	96	84	98
9	180	140	86	86	82	67	65
10	180	140	78	75	69	54	33
11	0		70	66	59	14	0
12			63	57	50	0	
13			56	50	43		
14			51	44	36		
15			46	39	6		
16			41	34	0		
17			37	30			
18			33	7			
19			30	0			
20			27				
21			24				
22			19				
23			0				

In each depreciation schedule, a salvage value of \$200 remains

W/AFY - with Additional First Year Depreciation
 S of Ys D - Sum of Years Digits

c. Graph of Comparative Table



10. Depreciation Recovery/Recapture

- a. if depreciated equipment/assets are sold, all or part of the depreciation/gain may be recovered and subject to tax
- b. this situation requires the services of a professional tax preparer. It is or can be rather involved, depending on individual circumstances. A brief discussion of recapture is included in Section IV.H.

11. Change of Depreciation Method

- a. generally, inadvisable
- b. if it must be changed, the IRS must be consulted for their permission

12. Completing Form 4562

- a. the form is divided horizontally into seven categories of information that must be supplied for each depreciable asset

1) Column A - Description of Property

- a) this should include the basic description and model number/serial number when available
- b) a serial number isn't necessary, but if the asset is of considerable value, it would be important for future reference when the asset is replaced, sold, or retired

2) Column B - Date Acquired

- a) the date the owner/purchaser physically takes possession of the asset

3) Column C - Cost or Basis

- a) this may be the purchase price, or
- b) the value after deducting any trade in
- c) see Sec. II.C.15 for review of Basis

4) Column D - Depreciation allowed or Allowable in Prior Years

- a) this is the total of all depreciation taken up to but not including the current year

5) Column E - Method of Computing Depreciation

- a) enter an abbreviation indicating the method of depreciation. For example

(1) Straight Line = SL

(2) Declining Balance = DB

(3) Double Declining Balance = DDB

(4) Sum of the Years' Digits = SoYD

6) Column F - Life or Rate

- a) if Straight Line or Sum of the Years Digits Methods are used, enter the number of years of depreciable life
- b) if a Declining Balance Method is used, enter the rate as a percentage (100%, 125%, 150%, etc.)

7) Column G - Depreciation Taken This Year

- a) the dollar value of the depreciation to be claimed for the current year

- b. the form is divided into five divisions, vertically

- 1) if the Additional First-Year Depreciation is claimed, the total is entered at the far right of Line 1, under Column g

- a) this is the total for all assets for which it is claimed
 - b) it is advisable, though not required, that an itemized list of assets for which the Additional First-Year Depreciation is claimed be provided showing asset, basis, and amount
- 2) depreciation from Form 4832 - Line 2
this Form 4832 is a schedule used for special treatment of certain depreciable items. It is used principally by industrial firms
 - 3) depreciation from Form 5006 - Line 3
same as Line 2, 2) above
 - 4) other depreciation - Line 4
this is the itemized list of depreciable assets, for which the seven columns discussed above must be completed
 - 5) totals - Line 5
 - a) Columns c and g must be totaled and sum of each line entered in the accented box at the bottom of each column
 - b) the total from Lines c and g must then be entered in the corresponding box on the depreciation schedule, Sub-schedule C-3, of Schedule C
- c. Is Form 4562 really necessary?
- No. If all the necessary detail can be entered on Sub-schedule C-3, then Form 4562 need not be used

Depreciation

- ▶ See instructions.
- ▶ Attach this form to your return.

1973

Name(s) as shown on return

Identifying number

This form may be used as an attachment to an individual, partnership, fiduciary, or corporation return. The totals on line 5 below must be included on the corresponding lines of

the regular depreciation schedule. Taxpayers must also complete the Summary of Depreciation provided on the applicable form or schedule.

[illegible]

These totals should also be included on the corresponding lines of your regular depreciation schedule. (For example: If depreciation applies to Schedule F (Form 1040), include the totals on Schedule F, line 59.) Also check the Class Life (ADR) System and/or the Guideline Class Life System box(es) in the depreciation schedule of tax return if either system was elected this taxable year.

Instructions

Note: Instructions for Class Life (ADR) System and Guideline Class Life System are contained in separate instructions for Form 4832 (Class Life (ADR) System) and on Form 5006 (Guideline Class Life System). Also see Publication 534, Tax Information on Depreciation.

Reasonable Allowance.—You may deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or of property held for the production of income. The allowance is not allowed for stock in trade, inventories, land and personal assets.

Charge off the cost (or other basis) to be recovered over the expected useful life of the property. Depreciation begins when the asset is placed in service and ends when the asset is retired from service.

In computing the basis on which depreciation may be taken for personal property other than livestock, you need not take into account salvage value that does not exceed 10 percent of the cost or other basis of the property. If the salvage value exceeds 10 percent, take only the excess into account. These provisions apply to property acquired after October 16, 1962, and having a useful life of three years or more.

Depreciation Methods.—The various methods of depreciation which may be used under section 167(b) are:

Straight Line Method.—The depreciation for each year is determined by dividing the cost or other basis of the property, by the remaining useful life of the property. The cost or other basis must be adjusted by depreciation allowed or allowable in prior years and salvage value if applicable.

Declining Balance Method.—Apply a uniform rate each year to the remaining cost or other basis of property determined at the beginning of the year, without adjustment for salvage value.

(Continued on back)

C. Form 3468 - Investment Credit

1. Definition - A credit against the Federal Income Tax of up to 7 percent of the cost of certain qualified, depreciable property
2. Purpose - To encourage businesses to increase certain types capital investment
3. Qualifying Property
 - a. the property must
 - 1) be depreciable
 - 2) have a useful life of at least 3 years
 - 3) be tangible personal property
 - 4) be tangible property if used as an integral part of the business and/or profession for the production of income
 - b. excluded property
 - 1) the only type of property excluded from investment credit that is pertinent to optometry is land and buildings
 - 2) land does not qualify since it is not depreciable
 - 3) this means that if an optometrist purchases a building for his practice (or any other income producing reason), he may not claim investment credit for the land or the building
 - 4) all contents of the building relating to the production of income may qualify for investment if the other criteria are met
4. When is Investment Credit Allowed
 - a. the Investment Credit is allowed for the first year the qualifying property is placed in service
 - b. property is considered placed in service in the earlier of the following
 - 1) the tax year which, under the taxpayer's depreciation practice, the period of depreciation for the property begins, or
 - 2) the tax year in which the property is placed in a condition or state of readiness and availability for service
5. Basis or Cost
 - a. new property
 - 1) generally, the cost/basis is the purchase price or financial investment in the asset
 - 2) if used or old property is traded for the new in a tax free exchange, the basis of the new property is
 - a) the adjusted basis of the old property (the undepreciated basis remaining) plus any additional amount expended (cash or "boot")
 - b) this can be very involved. It is best to secure the services of a professional tax preparer. Especially if the "trade in" value is more than the remaining undepreciated basis

b. used property

- 1) only the cost of the qualifying used property purchased during the tax year is used
- 2) this does not include basis of property traded in
- 3) only the additional amount expended (cash or "boot") in the trade is counted

6. Amount of Investment Subject to Credit (The Qualifying Investment)

1 Qualified investment in new and used property (See instructions C and D for eligible property)

NOTE: Include your share of investment property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	3 or more but less than 5		33 $\frac{1}{3}$	
	(b)	5 or more but less than 7		66 $\frac{2}{3}$	
	(c)	7 or more		100	
Used Property (See instructions for dollar limitation)	(d)	3 or more but less than 5		33 $\frac{1}{3}$	
	(e)	5 or more but less than 7		66 $\frac{2}{3}$	
	(f)	7 or more		100	
2 Total qualified investment—Add lines 1(a) through 1(f)					
3 Tentative investment credit—7% of line 2 (4% for public utility property)					
4 Carryback and carryover of unused credit(s). (See instruction F and instruction for line 4—attach computation.)					
5 Total—Add lines 3 and 4					

- a. the amount of credit allowed is proportional to the depreciable life
- b. three life span categories are used, each with a different percentage of the cost/basis for determining the Investment Credit
- c. the Qualified Investment is obtained by multiplying the cost/basis times the applicable percentage, for each life span used
 - 1) that is, the amount in Column (2) times the percentage in Column (3)
 - 2) the Qualified Investment is entered in Column (4)

7. Determination of Investment Credit

- a. the total of the Qualified Investments is entered on Line 2
- b. the Tentative Investment Credit is determined by multiplying the amount on Line 2 by 0.07 (7%). The amount is entered on Line 3
- c. carryback and carryover of unused credit
 - 1) any part of an investment credit that may not be used because it exceeds the amount allowable may be carried back 3 years and then forward 7 years and may be used to the extent permissible within the limitations applicable to those years
 - 2) NOTE: It is first carried back 3 years, then if any credit remains, forward 7 years

- 3) if a situation arises where a carryback is necessary, it would be advisable to consult a professional tax preparer. The regulations were changed several times and consequently it is a mess

d. Lines 3 and 4 are added together and the sum entered on Line 5

8. Limitations and Final Computation

a. investment credit is limited to

- 1) the amount of income tax for the year or
- 2) \$25,000 on a joint return (\$12,500 on a married filing separate return), whichever is least
- 3) a surplus may be carried back or forward (see above)

Limitation	
6 (a) Individuals—Enter amount from line 16, page 1, Form 1040	}
(b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041.	
(c) Corporations—Enter amount from line 5, Schedule J, Form 1120.	
7 Less: (a) Foreign tax credit	
(b) Retirement income credit (individuals only)	
8 Total—Add lines 7(a) and (b)	
9 Line 6 less line 8	
10 (a) Enter amount on line 9 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 10.)	
(b) If line 9 exceeds \$25,000, enter 50% of the excess.	
11 Total—Add lines 10(a) and (b)	
12 Investment credit—Enter amount from line 5 or line 11, whichever is lesser	

- b. for self-employed optometrists, only Line 6a need be considered. If an optometrist is a member of a professional corporation, the corporation accountant will be completing the returns
- c. individuals enter the amount from Line 16, Form 1040. This is the income tax for the year, excluding the Self-Employment Tax
- d. this means that the entire return must be completed up to Line 16
- e. the entries for Line 7, Foreign Tax Credit and Retirement Income Credit are not considered in this paper since the likelihood of a beginning optometrist being so involved is remote
- f. since Line 7 is most likely a zero, the amount on Line 8 is also a zero
- g. again, since Line 8 is a zero, the amount on Line 6a is entered on Line 9
- h. the lesser of either the amount on Line 9 or the limitation is entered on Line 10a. If the amount on Line 9 exceeds \$25,000, enter 50 percent of the excess on Line 10b
- i. add Lines 10a and 10b and enter the sum on Line 11
- j. the Investment Credit is the amount on Line 5 or Line 11, whichever is lesser. Enter the amount of Investment Credit on Line 12 and Line 50, Part IV of Form 1040

D. Schedule SE - Computation of Social Security Self-Employment Tax

1. What is Self-Employment Tax?
 - a. it is the counterpart of the Social Security Taxes withheld from wages
 - b. it represents the Social Security Tax on self-employed persons
 - c. the purpose is to provide social security coverage for persons who work for themselves
2. Who Qualifies?
 - a. in general, every individual carrying on a trade, business, or profession, either individually or in a partnership, is subject to the self-employment tax
 - b. there are exceptions to the above, but optometrists and/or their employees are not among them
3. Schedule SE is divided into three parts in addition to the usual taxpayer identification section
4. Part I - Computation of Net Earnings from Farm Self-Employment
 - a. not discussed since not directly related to optometry
5. Part II - Computation of Net Earnings from Non-Farm Self-Employment
 - a. Line 5 provides an entry point for income from five general sources. The relevant line for this discussion is Line 5a, the net profit from Line 21, Schedule C
 - b. Line 6 is the total of all income listed on Line 5
 - c. adjustments to the net income for purposes of determining only the Self-Employment Tax are totaled and entered on Line 7
 - 1) an itemized schedule is required
 - 2) income of self-employed persons derived from services as a public official (optometrist in politics), or as an employee or employee representative of the railroad retirement system
 - 3) income received by a retired business partner under a written partnership that provides for retirement payments when the retired partner no longer has an interest in the partnership
 - d. Line 8 is the total of Lines 6 and 7
 - e. the total from Line 8 is transferred to Line 12b of Part III
6. Part III - Computation of Social Security Self-Employment Tax
 - a. Line 13 is the total of Lines 12a and 12b - since Line 12a would not likely be used, simply repeat the amount in Line 12b on Line 13
 - b. Line 14 is a statement as to the maximum amount of Self-Employed Income subject to Self-Employment tax
 - c. this is the most likely point of increasing the SE Tax. It has been increased at regular intervals, especially the last few years

Part II Computation of Net Earnings from **NONFARM** Self-Employment**5 REGULAR METHOD**—Net profit or (loss) from:

- (a) Schedule C, line 21. (Enter combined amount if more than one business.)
- (b) Partnerships, joint ventures, etc. (other than farming)
- (c) Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361, check here ☐ and enter zero on this line
- (d) Service with a foreign government or international organization
- (e) Other (director's fees, etc.). Specify ▶

6 Total (add lines 5(a), 5(b), 5(c), 5(d), and 5(e))

7 Enter other adjustments (attach statement)

8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7)

If line 8 is \$1,600 or more **OR** if you do not elect to use the Nonfarm Optional Method, omit lines 9 through 11 and enter amount from line 8 on line 12(b), Part III.

Note: You may use the nonfarm optional method (line 9 through line 11) only if line 8 is less than \$1,600 and less than two-thirds of your gross nonfarm profits,* and you had actual net earnings from self-employment of \$400 or more for at least 2 of the 3 following years: 1970, 1971, and 1972. The nonfarm optional method can only be used for 5 taxable years.

* Gross profits from nonfarm business are the total of the gross profits from Schedule C, line 3, plus the distributive share of gross profits from nonfarm partnerships (Schedule K-1 (Form 1065), line 15) as explained in instructions for Schedule SE. Also, include gross profits from services reported on lines 5(c), 5(d), and 5(e), as adjusted by line 7.

9 NONFARM OPTIONAL METHOD:

- (a) Maximum amount reportable, under both optional methods combined (farm and nonfarm)
- (b) Enter amount from line 3. (If you did not elect to use the farm optional method, enter zero.)
- (c) Balance (subtract line 9(b) from line 9(a))

10 Enter two-thirds of gross nonfarm profits² or \$1,600, whichever is smaller

11 Enter here and on line 12(b), the amount on line 9(c) or line 10, whichever is smaller

\$1,600 00

Part III Computation of Social Security Self-Employment Tax**12** Net earnings or (loss):

(a) From farming (from line 4)

(b) From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)

13 Total net earnings or (loss) from self-employment reported on line 12. (If line 13 is less than \$400, you are not subject to self-employment tax. Do not fill in rest of form.)

14 The largest amount of combined wages and self-employment earnings subject to social security tax for 1973 is

15 (a) Total "FICA" wages as indicated on Forms W-2

(b) Unreported tips, if any, subject to FICA tax from Form 4137, line 9

(c) Total of lines 15(a) and 15(b)

16 Balance (subtract line 15(c) from line 14)

17 Self-employment income—line 13 or 16, whichever is smaller

18 If line 17 is 14,100, enter \$864.00; if less, multiply the amount on line 17 by .08

19 Railroad employee's and railroad employee representative's adjustment for hospital insurance benefits tax from Form 4469

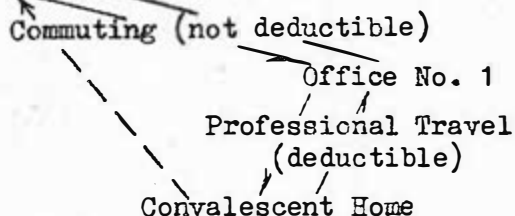
20 Self-employment tax (subtract line 19 from line 18). Enter here and on Form 1040, line 55

14,100
916,800 00

- 1) in 1973 the amount was \$10,800
in 1974 the amount was \$13,200
in 1975 the amount will be \$14,100
 - 2) this means that the actual cash outlay increases even though the computation percentage stays the same
 - 3) in 1975, any self-employed person with a net income of \$14,100 or more will pay \$1128 in self-employment tax
- d. Line 15 is the point of entry for types of income that would not be reported on Self-Employed Tax return schedules
- 1) Line 15a lists FICA wages (employed by some other business). For example: if a beginning optometrist is employed part-time by another optometrist, the income so derived would not be reported on Schedule C but directly on Form 1040. Credit for this income, already taxed for social security, against the maximum SE taxable income (Line 14) is provided by entry of this income on Line 15a
 - 2) Line 15b does not apply to optometrists
 - 3) Line 15c is the total of Lines 15a and 15b. Since Line 15b is zero, simply re-enter the amount from Line 15a on Line 15c
- e. Line 16 is the difference between the maximum SE taxable income (Line 14) and the amount reported on Line 15c
- f. on Line 17, the lesser of Line 13 or Line 16 is entered as the Self-Employment Income (subject to tax)
- g. Line 18 is the computation of the Self-Employment Tax. Multiply the amount on Line 17 by 0.08 (8%), and enter the amount
- h. for professionals, Line 19 is zero
- i. subtract Line 19 from Line 18 and enter the amount on Line 20 and on Line 55, Part V of Form 1040. This is the Self-Employment Tax

c. professional visit to another health care facility

1) Residence



2) if the practitioner returns home without returning to the office, it is considered commuting again

d. how may mileage be deducted

1) for the optometrist, whose professional mileage is relatively small, the best method is the \$0.15/mile 1974 and 1975 allowance

2) it is vital that a daily log of travel be maintained as a permanent record

a) keep an auto record book or note pad in the vehicle and record all trips and distances, including personal medical and charity related trips (which are also deductible at \$0.07/mile, 1974)

b) the log will always be required during an audit

4. Form 2106

a. the usual taxpayer identification information must be meticulously provided at the top of the first page

Form 2106 Department of the Treasury Internal Revenue Service	Employee Business Expenses Calendar year 1973 or other taxable year beginning 1973, and ending 19..... ▶ Attach to Form 1040.		1973
Your name	Social security number	Occupation in which expenses were incurred	
Employer's name	Employer's address		

- 1) under employer's name, an optometrist would merely enter "self" or "self-employed"
- 2) under employer's address, enter the office address

b. Part I - Employee Business Expenses which are deductible in computing adjusted gross income on Line 15, Form 1040

1) general information

a) NOTE: Part I expenses are deducted as an adjustment to Gross Income

b) the final amount from Part I is entered on Line 41, Part II of Form 1040. Many mistakes are made on this point.

c) for the self-employed person this is merely a procedural difference (compared to including on Schedule C). The final taxable income is the same.

- (1) if the net income were hovering around the maximum for self-employment tax, the procedural difference could raise the self-employment tax by increasing the net income (since the auto expense would not be deducted on the Schedule C).
 - (2) if the Schedule C net income is above the SE tax maximum income without the auto expenses, the procedural difference will not change the SE tax since the maximum tax is already being paid
- d) for the wage earner, Form 2106 is the only way these expenses may be deducted
- (1) the adjustment to Gross Income reduces the 1 percent limitation on the deduction for drugs and the 3 percent limitation on the Medical deductions on Schedule A, Form 1040
 - (2) in effect, any adjustment to Gross Income increases the medical deduction
 - (3) it has the same effect for a self-employed person regardless of procedure. Reducing the Schedule C Net Income has the same effect as adjusting the Gross Income on Form 1040.

2) Completing Part I

PART I.—Employee Business Expenses which are Deductible in Computing Adjusted Gross Income on Line 15, Form 1040

1 Travel expenses while away from home on business (number of days.....):		
(a) Airplane, boat, railroad, etc., fares	_____	
(b) Meals and lodging	_____	
(c) Automobile expenses (from Part IV)	_____	
(d) Other travel expenses (specify) _____	_____	
Total travel expenses		
2 Transportation expenses (not between home and work and not incurred while away from home overnight):		
(a) Airplane, bus, railroad, taxi, etc., fares	_____	
(b) Automobile expenses (from Part IV)	_____	
(c) Other (specify) _____	_____	
Total transportation expenses		
3 Outside salesman's expenses:		
(a) Automobile expenses (from Part IV)	_____	
(b) Other (specify) _____	_____	
Total outside salesman's expenses		
4 Employee expenses other than traveling, transportation, and outside salesman's expenses to the extent of the reimbursement		
5 Total of lines 1, 2, 3, and 4		
6 Less: Amount of employer's payments for above expenses (other than amounts included on Form W-2)		
7 Excess expenses (line 5 less line 6). Enter here and include in line 41, Form 1040		
8 Excess payments (line 6 less line 5). Enter here and include in line 37, Form 1040		

- a) Line 1 (including a,b,c, and d) is for listing Travel expenses while away from home. The total of all expenses from Line 1 is entered on the Line, Total Travel Expense, at the extreme right.

- b) Line 2 (including a,b, and c) is for itemizing transportation expenses when not away from home. An optometrist from Portland would use this section for itemizing expenses incurred while attending the N.W. Congress. It would be difficult to justify hotel expenses, and a space is not even provided. If an optometrist spent the working part of a day in San Francisco or Los Angeles and returned home that night, it would still be deducted under this category.
 - c) Line 3 applies only to outside (traveling) salesmen
 - d) Line 4 is the entry point for the total of any other expenses incurred other than travel or transportation expenses that are job related. An itemized statement should accompany the Form 2106.
 - e) Line 5 is the total of Lines 1, 2, 3, and 4.
 - f) the reimbursement received from the employer is entered on Line 6
 - g) if Line 5 is greater than Line 6, enter the excess expenses on Line 7 and Line 41, Part II of Form 1040 as an Adjustment to Gross Income
 - h) if Line 6 is greater than Line 5, enter the excess reimbursement on Line 8 and on Line 37, Part I, Form 1040, as income
- 3) discussion of Part I
- a) the IRS does not stipulate what means of transportation must be used
 - b) generally, if the cost of transportation approximates the cost by public carriers, the deduction is not questioned
 - c) problems may arise if, for example, an optometrist flies his own plane on a trip and tries to claim a considerably higher cost
 - d) the additional cost must be justified in terms of expediency and/or convenience before it will be allowed to go unquestioned
 - e) a practitioner using private transportation other than an auto should keep detailed records to verify the operating expense of the vehicle
 - f) for rental autos, the entire expense related to business may be deducted

c. Part II - Employee Business Expenses which are Deductible on Schedule A, Form 1040

PART II.—Employee Business Expenses which are Deductible if You Itemize Deductions on Schedule A (Form 1040)	
1	Business expenses other than those included above (specify) _____
2	Total
If you itemize your deductions, rather than elect to use the standard deduction, deduct under "Miscellaneous Deductions," Schedule A (Form 1040).	

- 1) NOTE: Part II expenses are deducted as an itemized deduction on Schedule A, Line 33, of Form 1040

- 2) the total from Line 2 is considered a "miscellaneous deduction" and therefore deductible on Schedule A
- 3) this section has little if any application for a practicing professional

d. Part III - Additional Information to be Furnished by Persons Claiming a Deduction for Educational Expenses

PART III.—Additional Information to be Furnished by Persons Claiming a Deduction for Educational Expenses

1	Name of educational institution or activity
2	Address
3	Were you required to undertake this education to meet the minimum educational requirements to qualify in your employment, trade, or business? <input type="checkbox"/> Yes <input type="checkbox"/> No
4	Will the program of study undertaken qualify you for a new trade or business? <input type="checkbox"/> Yes <input type="checkbox"/> No
5	If your answer to question 3 or 4 is "No," state the reason for obtaining the additional education and show the relationship between the courses taken and your employment during the period.....
6	List the principal subjects studied at the educational institution or describe your educational activity.....

- 1) general information
 - a) this part could be used to report the direct expenses at the N.W. Congress such as enrollment fees, cost of the transcript, etc.
 - b) this part might also be used to report the direct expenses of attendance at seminars at universities (if profession related)
 - c) remember, if an educational expense is to be deducted, it must be job related
 - d) Lines 1 and 2 identify the organization/institution attended
 - e) Lines 3,4, and 5 identify the reason for the attendance
 - (1) if the answers to the questions of Lines 3 and/or 4 are yes, the deduction will not be allowed
 - (2) expenses incurred for education to qualify a person for a new trade or business is not an allowable deduction
 - (3) the deduction is only allowed if the minimum qualifications of the trade, business, or profession have been met before the current expenses were incurred
 - (4) refer to III. B. 7. e.
 - f) Line 6 lists the subject matter or course material covered in the educational program
 - g) a practicing optometrist would generally deduct Educational Expenses on the Schedule C, since this would tend to reduce the AGI and make the medical expense deduction larger

e. Part IV - Automobile Expenses

- 1) debate on this part usually generates more heat than light, because
 - a) the debators are not fully aware of the inherent problems with the Regular Method
 - b) most arguments are based on inaccurate over and/or under estimates of the costs involved
 - c) of IRS attitudes regarding documentation of Line 6.
(Percentage of expense applicable to business)

PART IV—Automobile Expenses	
Note: Use either the Regular or the Optional method. If you use the regular method, prepare a separate Part IV and Part VI for each automobile.	
A. Months auto held for business use	months
B. Total mileage for months in A	miles
C. Portion of B applicable to business	miles
Regular Method: (Include expenses only for the number of months indicated in A above.)	
1 Gasoline, oil, lubrication, etc.	
2 Repairs	
3 Tires, supplies, etc.	
4 Other: (Specify) In-	
clude interest, taxes,	
insurance, etc. (Enter	
parking fees and tolls	
on line 18 below)	
5 Total	
6 Percentage of expense applicable to business (line C above divided by line B above)	%
7 Business portion (line 5 multiplied by line 6)	
8 Depreciation from Part VI, col. (h)	
9 Line 8 divided by 12 months	
10 Multiply line 9 by A, above	
11 Total (line 7 plus line 10) (see line 17)	
Optional Method: (The standard mileage rate applies to the total business miles (line C, above) of all automobiles.)	
The optional method cannot be used if depreciation has been claimed in a prior year using a method other than straight line (or where additional first-year depreciation has been claimed). Use of the optional method will not affect a deduction for interest relating to the automobile nor deductions for state and local taxes (other than those included in the cost of gasoline).	
12 Enter 15,000 miles or the mileage on line C above, whichever is smaller	
13 Multiply line 12 by 12¢ and enter result here	(miles)
14 Excess, if any, of line C over 15,000 miles	
15 Multiply line 14 by 9¢ and enter result here	(miles)
16 Total (line 13 plus line 15)	
Summary:	
17 Enter the amount from line 11 or line 16, whichever is used	
18 Add parking fees and tolls	
19 Total. Enter here and in appropriate sections of Part I, page 1	

2) Regular Method

- a) the obvious expenses (gas, oil, repairs, etc.) are listed on Lines 1 through 4, and totaled on Line 5
- b) the determination of the percent the vehicle used for business expenses is made by meticulous daily record keeping of the mileage by dividing -

$$\% = \frac{\text{business miles during tax year}}{\text{total miles during tax year}}$$
- c) it is impossible to over emphasize the importance of daily record keeping of business mileage
 - (1) in the event of an audit these records are usually required
 - (2) if the records are scanty, the deduction is usually reduced
 - (3) business mileage figures are usually found to be less than the taxpayer thought and more than the IRS estimates or wishes to allow
 - (4) it is virtually impossible to get a percentage of greater than 90 percent - even for traveling outside salesmen
- d) this method might prove advantageous if a brand new vehicle were used since the depreciation would account for a sizeable amount of the deduction
 - (1) the problem is that when the auto is sold or traded, the depreciation in excess of the sales price must be recovered and taxed. This computation is performed in Part V
- e) changing to the Optional Method is prohibited after the Regular Method has been used with accelerated or additional first-year depreciation, but permitted if SL depreciation is used. For example
 - (1) it might be advantageous to use the Regular Method for a new automobile because of accelerated or additional first year depreciation, but in some subsequent year, the Optional Method might provide the greater deduction; and the filer might wish to change methods
 - (2) if only SL depreciation were taken in prior years, the change is permitted provided the IRS is notified in advance of the filing of the return
 - (3) the change would not be allowed if any other method of depreciation were used

3) Optional Method

- a) again, meticulous record keeping is a must
- b) the deduction is computed by multiplying the smaller of 15,000 miles or the actual mileage from Line C by \$0.12 (1973 and prior year), \$0.15 (1974 and subsequent year)
- c) for mileage in excess of 15,000 miles, multiply the excess by \$0.09 (1973 and prior year), \$0.10 (1974 and subsequent year)
- d) the Optional Method usually permits a greater deduction for business use when the mileage is relatively small compared to the total mileage

- e) the Optional Method may be used on Schedule C, and thereby reduce the work involved
- 4) the Summary section must be completed using the final information from either the Regular or Optional Method

f. General Comments

- 1) the above comparisons between the methods has generally been true in the past, but
- 2) considering the current inflationary spiral where the cost of the automobile itself and all operating and maintenance costs have **increased** at a rather shocking rate, the self-employed taxpayer might be well advised to compare both methods, especially if the vehicle is relatively new
 - a) the easiest method for making the comparison is to keep records on the vehicle, add in one year's depreciation, and then divide by the total annual mileage. If the final amount is \$0.15/mile, then use the Regular Method. If less, use the Optional Method
 - b) for determining value basis for depreciation, use the current FMV

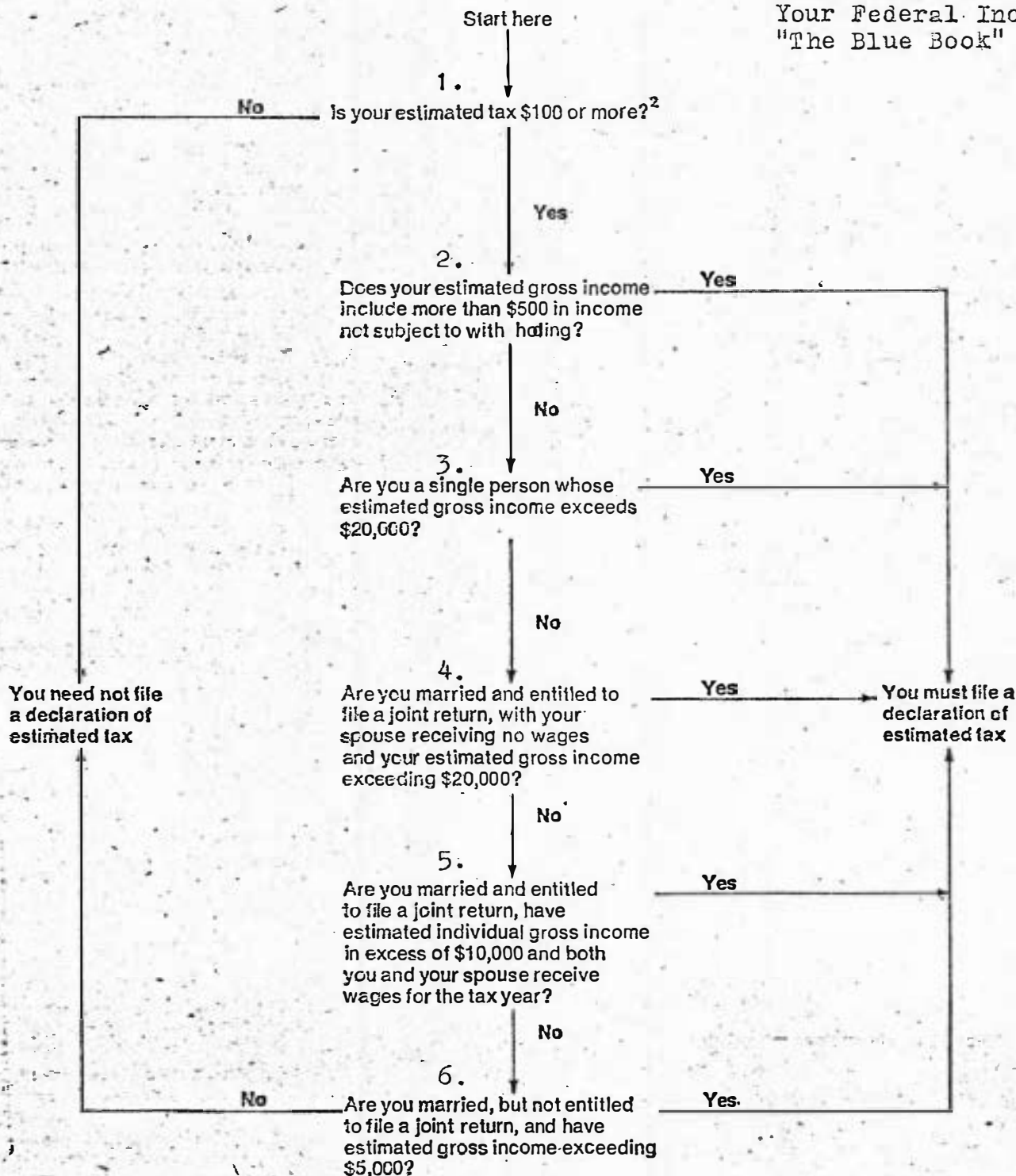
F. Form 1040 ES - Declaration of Estimated Tax for Individuals

1. Who Must File Form 1040 ES?
 - a. see the "flow chart," following this page
 - b. hopefully even a first year optometrist will have a gross income of more than \$500 and a tax bill in excess of \$100. (See steps 1 and 2)
 - c. so, without further discussion, even a first year optometrist needs to file a Form 1040 ES for his/her first full year in practice
2. When Must the Estimated Return be Filed?
 - a. the estimated return is prepared for the current year at the same time the final return for the previous year is being prepared
 - b. that is, when the return for 1975 is being prepared about one year from now, the estimated return for 1976 will also be prepared. The estimated return Vouchers will be due on
 - 15 April 1976
 - 15 June 1976
 - 15 September 1976
 - 15 January 1977
 - c. this procedure amounts to a self-employed withholding tax
3. The estimated return is really an ESTIMATION, and is not intended to be an accurate prognostication of income expected in the forthcoming year
4. Provisions are made to readjust the estimate at the time of filing the quarterly statements. What this really means is that the practitioner should re-evaluate his/her financial affairs at least every quarter (three months)
5. Completing the Form 1040 ES
 - a. Line 1 is the entry point for the estimation of the Adjusted Gross Income for the coming year. This means that some method must be used to predict Gross Income and overhead as well
 - b. Line 2 is for the estimate of either the itemized or standard deduction
 - c. Line 3 is for the estimate of the total exemption value to be claimed during the year
 - d. by subtracting Lines 2 and 3 from Line 1, the estimated Taxable Income is determined
 - e. the tax is determined from the appropriate Tax Rate Schedule X, Y, or Z and entered on Line 5
 - f. estimated Tax Credits such as Investment Credit and Work Incentive Credit are totaled and entered on Line 6

Note: If an Investment Credit estimate is not included at the time of filing the Form 1040 ES, it may still be included with the final return

Who must file a Declaration of Estimated Tax¹

Publication 17
Your Federal Income Tax
"The Blue Book"



1. To eliminate the filing of a declaration of estimated tax you may have additional amounts withheld from your wages.

2. Estimated tax is the amount you estimate that your income tax, including self-employment tax, will exceed any expected withholding of tax from your wages.

- g. Line 5 less Line 6 is the Estimated Tax and entered on Line 7
 - h. recomputation of prior years Investment Credit and Work Incentive Credit is entered on Lines 8 and 9
 - i. the Self-Employment Tax must be determined using either the maximum taxable income or the net income, and entered on Line 10
 - j. Lines 7,8,9, and 10 are totaled and entered on Line 11
 - k. Line 12 is another tax credit entry for tax to be withheld from wages, if any, plus credit for federal taxes paid on fuels and lubricating oils used for non-highway applications
 - l. Line 11 minus Line 12 is the final estimated tax and is entered on Line 13 and in Block A of the quarterly declaration vouchers 1 through 4
 - m. depending on when the declaration is to be filed, enter either 1/4 (April 15 filing), 1/3 (June 15), or 1/2 (September 15) of the amount on Line 13 on
 - 1) Line 14, and on
 - 2) Line 1 of the Form 1040 ES Declaration Vouchers
6. The Vouchers
- a. as noted in 4.1. above, the total estimated tax for the year is entered in Block A
 - b. if there is an overpayment credit from the previous year the amount of this credit should be entered in Block B
 - 1) this credit is the amount that could have been refunded. See Line 26, Form 1040
 - 2) in practice the overpayment, when it occurs, is usually applied to the next year's taxes and deducted from the first estimated tax payment
 - c. Line 1 is the entry point for the amount of the first installment. See Line 4.m. above
 - d. Line 2 is the entry for the overpayment credit. This is usually zero on all but Voucher No. 1
 - e. Line 3, the difference between Line 1 and Line 2 is the amount due with each Voucher
7. Discussion
- a. usually, the estimated tax is an "under estimated" amount
 - b. NOTE: The total estimated tax submitted by and including the January 15 payment MUST be 80 percent of the final amount determined and due on the following April 15
 - c. as mentioned above, the income, expenses, deductions, etc., should be monitored quarterly as each Voucher is prepared
 - d. if the estimated tax paid is less than 80 percent, a penalty will be assessed by the IRS
 - e. it is important that the usual taxpayer identification Block at the lower right be meticulously completed

Name

Social Security Number

- 1 Enter amount of Adjusted Gross Income expected in 1974 (see note in Instruction 1)
- TAX TABLE USERS OMIT LINES 2, 3, AND 4. FIND TAX IN TAX TABLES 1-12 IN 1973 INSTRUCTIONS FOR FORM 1040 OR FORM 1040A AND ENTER ON LINE 5**
- (Caution: If another person is entitled to claim you as a dependent, see 1973 Instructions for Form 1040 or Form 1040A.)
- 2 If you expect to itemize deductions, enter estimated total of such deductions. If you do not expect to itemize deductions, enter 15% of line 1 (limited to \$2,000 (\$1,000 if married filing separately))
- 3 Exemptions (\$750 for each, including additional exemptions for age and blindness)
- 4 Line 1 less the total of lines 2 and 3. This is your estimated taxable income
- 5 Tax (Compute tax on the amount on line 4 by using appropriate Tax Rate Schedule X, Y, or Z on page 4 or tax on the amount on line 1 from 1973 Tax Tables 1-12.)
- 6 Credits: retirement income, foreign tax, investment, political contributions, and work incentive (WIN)
- 7 Line 5 less line 6
- 8 Tax from recomputing prior year's investment credit (see Form 4255)
- 9 Tax from recomputing prior year's work incentive (WIN) credit
- 10 Estimate of 1974 self-employment income \$.....; if \$12,600 or more, enter \$1,008; if less, multiply the amount by .08. (If joint declaration and both have self-employment income, make separate computations.)
- 11 Add lines 7, 8, 9, and 10
- 12 Estimated income tax withheld and to be withheld during entire year 1974 plus credit for Federal tax on gasoline, special fuels, and lubricating oil
- 13 Estimated tax (line 11 less line 12). Enter here and in Block A on declaration-voucher. If \$100 or more, file the declaration-voucher. If less than \$100, no declaration is required
- 14 Computation of installments:
- | | |
|--|---|
| If declaration is due to be filed on: <div style="display: inline-block; vertical-align: middle; border-left: 1px solid black; padding-left: 5px; margin-left: 10px;"> April 15, 1974, enter 1/4
 June 15, 1974, enter 1/3
 September 15, 1974, enter 1/2
 January 15, 1975, enter amount </div> | of line 13 here and on line 1 of original and subsequent declaration-vouchers } |
|--|---|

Note: If your estimated tax should change during the year, you may use the amended computation below to determine the amended amounts to be entered on declaration-voucher.

Amended Computation		Record of Estimated Tax Payments				
(Use if estimated tax is substantially changed after the first declaration-voucher filed.)		Voucher number	Date	Amount	1973 overpayment credit applied to installment	Total amount paid and credited from Jan. 1 through the installment date shown. Add (b) and (c)
1 Amended estimated tax. (Enter here and in Block A on declaration-voucher.)			(a)	(b)	(c)	(d)
2 Less:		1				
(a) Amount of last year's overpayment elected for credit to 1974 estimated tax and applied to date		2				
(b) Payments made on 1974 declaration		3				
(c) Total of lines 2(a) and 2(b)		4				
3 Unpaid balance (line 1 less line 2(c))		Total ▶				
4 Amount to be paid (line 3 divided by number of remaining installments). (Enter here and on line 1 of declaration-voucher.)						

Page 2

Detach here

Form 1040-ES Department of the Treasury Internal Revenue Service	Estimated Tax Declaration-Voucher for Individuals—1974 (To be used for making declaration and payment)	Voucher 4 (Calendar year—Due Jan. 15, 1975)
*A. Estimated tax (or amended estimated tax) for the year ending _____ (month and year)		If fiscal year taxpayer, see instruction 10. * Complete only if this is an original or amended declaration, and your total estimated tax for the year is \$100.00 or more. Return this voucher with check or money order payable to "Internal Revenue Service."
*B. Overpayment from last year credited to estimated tax for this year		
\$ _____		
\$ _____		
1. Amount of this installment . . . ▶ \$ _____ 2. Amount of unused overpayment credit, if any, applied to this installment (see Instruction 8) ▶ \$ _____ 3. Amount of this installment payment (line 1 less line 2) ▶ \$ _____		Please type or print
If this is an original declaration-voucher, file even though line 3 is zero.		
*Sign here		
Your Signature _____ Spouse's signature (if joint declaration) _____		
		Your social security number _____ Spouse's number, if joint return _____
		First name and initial (if joint declaration, use first names and middle initials of both) _____ Last name _____
		Address (Number and street) _____
		City, State, and ZIP code _____

G. Schedule D - Capital Gains and Losses

1. This schedule is the reporting instrument for income derived from the gains and/or losses incurred through the sale of stocks, bonds and similar investments.
2. Types of Capital Gains/Losses
 - a. Long Term
 - 1) investments held for more than six months
 - 2) income derived from this type of gain/loss is taxed at 50 percent; or, restated, only 50 percent of the gain/loss is subject to taxation
 - 3) example 1, Gain
 - a) Mr. A buys 200 shares of stock in the XYZ Corporation for \$50/share for a total investment of \$10,000
 - b) Mr. A sells this stock 8 months later for a total of \$14,000
 - c) the gain on the sale is

$$\begin{array}{r} \$14,000 \\ - \quad 10,000 \\ \hline \$ \quad 4,000 \end{array}$$
 - d) the amount subject to tax (taxable gain) is $\$4,000 \times 0.5 = \$2,000$
 - e) the \$2,000 taxable gain is eventually added to Mr. A's other income in Part I of Form 1040
 - 4) example 2, Loss
 - a) if Mr. A had suffered a loss on the sale,

Purchase price	\$10,000
Sales price	<u>6,000</u>
Capital loss	\$ 4,000
 - b) the taxable loss would be $\$4,000 \times 0.5 = \$2,000$
 - c) this would not reduce Mr. A's income on Form 1040 by \$2,000 due to limitations on capital losses. (More on this later in this part)
 - d) it could, however, decrease the total gain to be reported on Schedule D by the full \$2,000
 - b. Short Term
 - 1) investments held for six months or less
 - 2) the income so derived is taxed at 100 percent; or restated, 100 percent of the gain/loss is subject to taxation
 - 3) example 1, Gain
 - a) Mr. B buys 200 shares in the XYZ Corporation for \$50/share for a total of \$10,000
 - b) Mr. B sells the 200 shares of stock 4 months later for \$14,000
 - c) as with Mr. A's transaction, the capital gain is \$4,000
 - d) but for Mr. B, because it is short-term gain, the entire \$4,000 is subject to taxation

- e) the \$4,000 taxable gain eventually is added to Mr. B's other income in Part I of Form 1040
- 4) example 2, Loss
- a) if Mr. B had suffered a \$4,000 loss on the two transactions, the capital loss would be \$4,000
 - b) this would not reduce Mr. B's income by \$4,000 due to limitations on capital losses. (Again, more on this later)
 - c) it could, however, reduce the total gain to be reported on Schedule D by \$4,000
- c. A comparison, the implications
- 1) for the sake of a comparison let's assume that Mr. A and Mr. B had equal total taxable income (TI) excluding the Capital Gain, (CG)

	Mr. A	Mr. B
TI	\$22,000	\$22,000
CG	2,000	4,000
Total Tax. Inc.	\$24,000	\$26,000
Tax Rate (Y)	36%	36%
Tax	\$ 5,6600	\$ 6,380

BUT: Mr. A actually had the same total income as Mr. B. Remember the \$2,000 that Mr. A did not have to pay tax on. Mr. A saved \$720 in tax by holding the stock more than 6 months

- 2) the difference could have been even greater if Mr. B's extra \$2,000 in income had placed him in a higher tax rate, than Mr. A

	Mr. A	Mr. B
TI (excluding CG)	\$21,000	\$21,000
CG	2,000	4,000
Total Tax. Inc.	\$23,000	\$25,000
Tax Rate (Y)	32%	36%
Tax	\$4,700	\$ 6,020

NOTE: Again Mr. A and Mr. B had the same total income. The difference of \$1,320 is due to the \$2,000 Capital Gain that Mr. A did not have to pay tax on. The difference amounts to 13 percent of the original investment and 33 percent of the gain

- 3) in brief, when trading in capital investments it is usually best to wait out the 6 months, if at all possible, and try for the long-term gain
- 4) a drop in market price may be more than offset by the tax saving

3. Loss Limitations

a. the maximum capital loss that may be entered on Form 1040 from Schedule D is:

- 1) \$1,000 on a joint return
- 2) \$500 on a married filing separate return

b. it must be remembered that when several transactions of each type, Long or Short Term, have occurred, all of each type are combined into a total for each

- 1) the Long and Short Term Gains are then combined
- 2) special instructions and procedures are then used to determine the reportable gain/loss. (More details later)

4. Part I - Short-term Capital Gains and Losses - Assets Held Not More Than 6 Months

Part I		Short-term Capital Gains and Losses—Assets Held Not More Than 6 Months				D
a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. How acquired. Enter letter symbol (see instruction D)	c. Mo., day, yr. (Put date sold above dotted line and date acquired below dotted line)	d. Gross sales price	e. Cost or other basis, as adjusted (see instruction E) and expense of sale	f. Gain or (loss) (d less e)	
1						
2	Enter your share of net short-term gain or (loss) from partnerships and fiduciaries				2	
3	Enter net gain or (loss), combine lines 1 and 2				3	
4(a)	Short-term capital loss component carryover from years beginning before 1970 (see Instruction H)				4(a)	
4(b)	Short-term capital loss carryover attributable to years beginning after 1969 (see Instruction H)				4(b)	
5	Net short-term gain or (loss), combine lines 3, 4(a) and 4(b)				5	

a. Line 1 is used for asset identification and description. The six columns need little explanation except:

1) Column b. - How acquired

the code used is

"A" purchased on the open market

"B" exercise of stock option or through an employee purchase plan

"C" inheritance or gift

"D" exchange involving the carryover of prior assets

"E" all other means of acquisition

2) Column e. - Cost or other basis

this amount should include the costs of purchase and sale (brokerage/realty commissions, etc.)

b. Line 2 is the entry point for short-term gain/loss from partnerships and fiduciaries

c. Lines 1 and 2 are totaled and the result is entered on Line 3

- d. Lines 4a and 4b are the entry points for loss carryovers. Since this is not likely to occur within the time scope of this paper, a detailed discussion is unnecessary
- e. Lines 3 and 4 are combined to produce the Net Short-term gain/loss which is entered on Line 5

Part II Long-term Capital Gains and Losses—Assets Held More Than 6 Months					
6					
7	Capital gain distributions			7	
8	Enter gain, if applicable, from line 4(a)(1), Form 4797 (see Instruction A)			8	
9	Enter your share of net long-term gain or (loss) from partnerships and fiduciaries			9	
10	Enter your share of net long-term gain from small business corporations (Subchapter S).			10	
11	Net gain or (loss), combine lines 6 through 10			11	
12(a)	Long-term capital loss component carryover from years beginning before 1970 (see Instruction H)			12(a)	
12(b)	Long-term capital loss carryover attributable to years beginning after 1969 (see Instruction H)			12(b)	
13	Net long-term gain or (loss), combine lines 11, 12(a) and 12(b)			13	

5. Part II - Long-term Capital Gains and Losses - Assets Held More Than 6 Months

- a. Line 6 is the same as Line 1 in Part I (See 4.a. above)
- b. Line 7 is the entry for Capital Gain Distributions. This is a type of income from securities (dividends) that are reported as long-term gains
- c. Line 8 is for gains/losses made on the sale or trade of property held for business and reported in detail on Form 4797 (See IV.H.)
- d. Long-term gains/losses from other business sources is entered on Line 9
- e. the filer's share of gains from small business corporation (Subchapter S), is entered on Line 10
- f. Line 11 is the sum of Lines 6 through 10
- g. Lines 12a and 12b are the entry points for long-term loss carryovers. Since this is not likely to occur within the time scope of this paper, a detailed discussion is unnecessary
- h. Combining Lines 11 and 12 produces the Net Long-term gain/loss which is entered on Line 13

6. Part III - Summary of Parts I and II

- a. combine Lines 5 and 13 and enter the amount on Line 14
- b. if Line 14 shows a Gain - Line 15
 - 1) at this point the Long-term Gain is reduced by 50 percent
 - 2) the instructions for Line 15 state that the entry on Line 15a should be 50 percent of the amount on Line 13, the total amount of Long-term Gain

Part III Summary of Parts I and II

14	Combine the amounts shown on lines 5 and 13, and enter the net gain or loss here	14		
15	If line 14 shows a gain—			
	(a) Enter 50% of line 13 or 50% of line 14, whichever is smaller (see Part VI for computation of alternative tax). Enter zero if there is a loss or no entry on line 13.	15(a)		
	(b) Subtract line 15(a) from line 14. Enter here and on line 29, Form 1040	15(b)		
16	If line 14 shows a loss—			
	► Omit lines 16(a) and 16(b) and go to Part IV if losses are shown on BOTH lines 12(a) and 13. See Instruction I.			
	► Otherwise,			
	(a) Enter one of the following amounts:			
	(i) If amount on line 5 is zero or a net gain, enter 50% of amount on line 14;			
	(ii) If amount on line 13 is zero or a net gain, enter amount on line 14; or,			
	(iii) If amounts on line 5 and line 13 are net losses, enter amount on line 5 added to 50% of amount on line 13	16(a)		
	(b) Enter here and enter as a (loss) on line 29, Form 1040, the smallest of:			
	(i) The amount on line 16(a);			
	(ii) \$1,000 (\$500 if married and filing a separate return—if a loss is shown on line 4(a) or 12(a), see instruction M for a higher limit not to exceed \$1,000); or,			
	(iii) Taxable income, as adjusted (see Instruction L)	16(b) ()

- 3) if the amount on Line 13 is either zero or a loss, then the amount on Line 15a is entered as a zero
- 4) the entry on Line 15b is the difference between Line 14 and Line 15a. This amount includes all of the short-term gain and 50 percent of the long-term gain
- 5) the total Capital Gain from Line 15b is entered on Line 29, Part I of Form 1040

c. if Line 14 shows a Loss - Line 16

- 1) Line 16 provides two options based on simple assessment of previous information
 - a) if Lines 12a and 13 both show losses, the taxpreparer is instructed to omit Lines 16a and 16b and proceed to Part IV
 - b) Part IV of Schedule D is a masterpiece of mathematical manipulation. The entry on Line 12a is, as noted above, an entry from a Capital Loss Carryover, and Line 13 is a current year long-term loss. Part IV serves to combine these losses within the current year limitations and determine the amount of loss to be taken in the current year
 - c) since the Capital Loss Carryover involves temporal considerations beyond the scope and intent of this paper, Part IV will not be considered in further detail
 - 2) the second Line 16 option provides two steps using information based on previous determinations
 - a) this section deals with current year losses only
 - b) the first of the steps lists three alternatives for the entry on Line 16a
 - (1) if the amount on Line 5 (short term) is zero or a net gain, enter 50 percent of the amount on Line 14
 - (2) if the amount on Line 13 (long term) is zero or a net gain, enter the amount on Line 14, or
 - (3) if the amounts on Line 5 and 13 are both net losses, enter the amount on Line 5 added to 50 percent of the amount on Line 13
- NOTE: Since on long-term gains only 50 percent of the gain is taxed, so only 50 percent of the loss

is allowed as a reduction of other income. Prior to 1970, long-term losses were allowed at 100 percent reduction against other income. This is the reason for the dichotomy of Line 12

- c) the second step involves comparing the current year Capital Loss to the Schedule limitations (See Section G.3. above). With three alternatives listed, the filer is to select the smaller amount
 - (1) the amount on Line 16a
 - (2) \$1,000 (\$500 if married filing a separate return)
 - (3) Taxable Income as adjusted
- d) the amount from Line 16b is also entered on Line 29, Part I of Form 1040

H. Form 4797 - Supplementary Schedule of Gains and Losses

1. Form 4797 consists of three parts

- Part I reports gains/losses from sales or exchanges of property used in Trade or Business/Profession and/or Involuntary Conversions
- Part II reports ordinary gains/losses
- Part III reports gains only, from the disposition of certain property used in trade or business

2. Part III

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252—Assets Held More than Six Months (See Instruction F) Lines 18 and 19 should be omitted if there are no dispositions of farm property or farmland; or, if this form is filed by a partnership.						
10 Description of sections 1245, 1250, 1251, and 1252 property:					Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) _____					_____	_____
(B) _____					_____	_____
(C) _____					_____	_____
(D) _____					_____	_____
(E) _____					_____	_____
Correlate lines 10(A) through 10(E) with these columns ▶ ▶ ▶ ▶ ▶		Property (A)	Property (B)	Property (C)	Property (D)	Property (E)
11 Gross sales price		_____	_____	_____	_____	_____
12 Cost or other basis and expense of sale		_____	_____	_____	_____	_____
13 Depreciation allowed (or allowable)		_____	_____	_____	_____	_____
14 Adjusted basis, line 12 less line 13		_____	_____	_____	_____	_____
15 Total gain, subtract line 14 from line 11		_____	_____	_____	_____	_____

- Part III, in essence, determines the recovery of depreciation and the total gain/loss on
 - property used in the trade, business or profession, or
 - property subjected to involuntary conversion
- Part III should be completed first if property subject to depreciation and held more than six months was disposed of at a gain
- Line 10 provides an inadequate space for a description of the property(ies)
- the gross sales price is entered on Line 11
- the cost or basis including the expense of sale is entered on Line 12
- the total depreciation taken, including that claimed in the current year, is entered on Line 13
- the difference between Lines 12 and 13 is the adjusted basis. This is the basis from which the gain must be determined. This amount is entered on Line 14
- Lines 16 through 19 deal with special types of property, transactions, and depreciation recovery
 - these sections involve procedures that identify the various portions of the total amount received in a transaction and how each must be treated for tax purposes

- 2) while most optometrists will eventually become involved with certain of these types of transactions, it is unlikely in the first few years of practice
 - 3) also, much of the complexity of Part III is the result of rule changes for recapture of depreciation taken before 1971, which will only have a minimum effect on beginning practitioners
 - 4) the most difficult task is to determine which of the several property categories may apply to the filer's unique situation, (capital vs. noncapital asset; 1231, 1245, or 1250 property). For this reason it is advisable to consult a professional tax preparer
 - 5) nevertheless, a brief discussion is necessary if the reader is to have a glimpse of the tax related problems involved in the sale of business assets
 - a) when depreciable personal business property (except buildings and their structural components) is sold, the gain is treated as ordinary income to the extent of the depreciation. If, for example, an asset with a cost basis of \$2,000 has an adjusted basis (depreciated basis) at the time of sale of \$1,000, the difference between the adjusted basis and the sale price is taxed as ordinary income. That is, if the sale price was \$1,500, the \$500 (\$1,500-\$1,000) would be taxed as ordinary income. If the sale price was \$700, the gain would be \$700-\$1,000, or a loss of \$300. This would serve to reduce the total income from other sources. This is Section 1245 property
 - b) if a depreciable business asset is sold at a price higher than the original basis, the difference between the sale price and the original basis is treated as capital gain and treated as long-term gain. This is Section 1231 treatment of depreciable business property
 - c) Section 1250 property is "real" business property; that is, land, buildings, etc. The same basic concepts are used as described for 1231 and 1245 property, but the amount of depreciation recoverable varies with several special rules. This will not be treated in detail since it is beyond the temporal considerations of this paper. In addition, it should be obvious that at this stage of a person's business life, he most certainly needs professional assistance unless he has made a career of the tax business
- i. Part III is completed with a summary at the bottom of the page (lines 20, 21, and 22). The summary information is transferred to appropriate sections in Part I
3. Part I - Sales or Exchanges of Property used in Trade or Business and/or Involuntary Conversions (Section 1231)
 - a. examples of "1231" property treated under Part I, Section A

SECTION B.—Sales or Exchanges of Property Used in Trade or Business and Certain Involuntary Conversions (Not Reportable in Section A) (See Instruction D)

3						

4 Combine the amounts on line 3, enter here and also on the appropriate line as follows

(a) For all returns, except partnership returns:

(1) If line 4 is a gain, enter such gain as a long-term capital gain on the Schedule D (Form 1040, 1120, etc.) that is being filed—see instruction D.

(2) If line 4 is zero or a loss, enter such amount on line 6.

(b) For partnership returns: Enter the amount shown on line 4, on line 7, Schedule K (Form 1065).

a) if Line 4 is a gain, enter the gain as a long-term gain on Line 8, Schedule D

b) if Line 4 is a loss or zero, enter the amount on Line 6, Part II

4. Part II - Ordinary Gains and Losses

Part II Ordinary Gains and Losses						
a. Kind of property and how acquired (If necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements and expense of sale	g. Gain or (loss) (d plus e less f)
5 Amount, if any, from line 2(a)(2)						
6 Amount, if any, from line 4(a)(2)						
7 Gain, if any, from line 21						
8						
9 Combine lines 5 through 8, enter here and also on the appropriate line as follows						
(a) For all returns, except individual returns: Enter the gain or (loss) shown on line 9, on the line provided for on the return (Form 1120, etc.) being filed—see instruction E, for specific line reference.						
(b) For individual returns:						
(1) If the gain or (loss) on line 9, includes losses which are to be treated as an itemized deduction on Schedule A (Form 1040) (see instruction E), enter the total of such loss(es) here and include on line 29, Schedule A (Form 1040)—identify as loss from line 9(b)(1), Form 4797						
(2) Redetermine the gain or (loss) on line 9, excluding the loss (if any) entered on line 9(b)(1). Enter here and on line 30, Form 1040						

a. Line 5 is the transfer entry from Part I, Section A (See above)

b. Line 6 is the transfer entry from Part I, Section B (See above)

c. Line 8 provides space for entry of gains/losses on any other property. The same type of information reported in Parts I and II must be reported for new (not reported somewhere else on Form 4797) items in Columns a through g

- d. Line 9 is the entry for the total of Line 5 through 8
- e. for Individual returns (rather than partnerships and corporations) the instruction "(b)" must be followed (under Line 9)
 - 1) if the gain or loss on Line 9 includes losses which are to be treated as an itemized deduction on the personal part of the return, Schedule A, Form 1040, enter the total of such losses here (Line 9(b)(1) and on Line 29, Schedule A of Form 1040
 - 2) redetermine (subtract the loss from Line 9(b)(1) and enter the adjusted loss (gain) on Line 9(b)(2) and on Line 30, Part I, Form 1040

V. Miscellaneous Schedules of Interest

A. Schedule G - Income Averaging

1. Concept

- a. the income averaging method permits a part of an unusually large amount of taxable income to be taxed in a lower bracket (rate), thus reducing the overall amount of tax due
- b. in essence, if the filer's income has been relatively consistent (low?) for a period of 4 years and then in the 5th year increases significantly, the income averaging method, in effect, allows a lower tax by "averaging" the income and taxes over the five-year period
 - 1) it is not a strict mathematical average, but an IRS formula
 - 2) the tax reduction is not as great as an arithmetic average would produce, but it may still be significant

2. Eligibility Requirements

a. Citizenship or Residence Test

- 1) the filer must be a citizen or a resident of the United States throughout the computation and base years

b. Support Test

- 1) the taxpayer(s) must have furnished 50 percent or more of his/her own support during each of the base years
- 2) if a joint return is filed, both husband and wife must meet the support test
- 3) exceptions - the support test does not apply if
 - a) the filer is 25 years of age or older in the computation year and not a full-time student for at least 4 taxable years beginning after the age 21 and ending with the computation year
 - b) more than half of the taxable income for the computation year is attributable to work performed in a substantial part during two or more of the base period years. It is not necessary that any of the work be performed in the computation year
 - c) a joint return is filed and the wife does not meet the support test, it will not apply to the wife if, in the computation year, the wife did not provide more than 25 percent of the combined adjusted gross income. This applies to couples married during one of the base years
- 4) for the Class of 1975, the important questions to ask are
 - a) were joint returns filed for the base years? If separate returns were filed, a more involved procedure must be considered
 - b) were we self supporting during the five years (four base years and the computation year)? If the answer is yes, file Schedule G. If no, continue with c)
 - c) if the filer was a full-time student for the four base years, the years between the 21st birthday and the computation year and not self supporting, Schedule G may not be used

- 5) what constitutes income for self support?
- a) for those filers that have been students, any unearned income from sources such as HEW scholarships and WICHE scholarships need not be included as income
 - b) if a filer received support from parents and was claimed as an exemption on the parents' tax return, he/she would not be considered self supporting for that tax year
 - c) educational loans need not be considered as income since they must be repaid

3. Income Requirements

- a. the averagable income must exceed \$3,000
 - 1) the averagable income is the amount by which the adjusted taxable income for the current tax year (computation year) exceeds 30 percent of the total of the incomes for the four preceding tax years (base period years)
- b. Determining the Base Period Taxable Income
 - 1) Form 1040
 - a) the taxable income is the income after the itemized deductions and exemptions are subtracted from the Adjusted Gross Income
 - b) this is found on Line 48, Part III of the 1973 Form 1040
 - c) the location of the taxable income varies with the year as the IRS forms are revised frequently
 - d) the following table will be of some assistance in locating the taxable income for prior years. Since the reader may wish to Income Average in some later year, three do-it-yourself blanks are provided for future returns

<u>Year</u>	<u>Line No.</u>
1977	_____
1976	_____
1975	_____
1974	48
1973	48
1972	55
1971	50

- 2) Form 1040A (Short Form)
 - a) when the Standard Deduction is used with Form 1040A, the taxable income must be calculated
 - b) subtract the value of the standard deduction and the exemptions from the Adjusted Gross Income
 - c) to determine the standard deduction, multiply the AGI by the standard percentage for the year. For example, if the AGI were \$8,000, in 1974 the standard deduction was 15 percent. The value of the standard deduction was $(0.15)(\$8,000) = \$1,200$
 - d) the following table gives the percentage for the standard deduction for several past years

<u>Year</u>	<u>%</u>
1975	15
1974	15
1973	15
1972	13
1971	10

4. Completing the Schedule G

a. Section I - Taxable Income and Adjustments

- 1) the basis or income used in the calculations is the taxable income
- 2) therefore, a large increase in Gross or Adjusted Gross incomes may or may not indicate a proportionately large increase in Taxable Income. It depends on expenses, adjustments, deductions and exemptions

b. Section II - Computation of Averageable Income

- 1) the taxable income for the computation and base years are entered in the appropriate columns of Line 1
- 2) for the readers intended, Line 2 may be ignored
- 3) the amounts from Line 1 are entered on Line 5 also, since Line 2 is zero
- 4) the amount from Line 5a is entered on Line 6
- 5) the amounts from Lines 5b, 5c, 5d, and 5e are totaled and then multiplied by 0.3. The final amount is entered on Line 7
- 6) the averageable income is determined by subtracting Line 7 from Line 6. This amount is entered on Line 8
- 7) Line 8 must be greater than \$3,000 in order for the filer to qualify for Income Averaging

c. Section III - Computation of Tax

- 1) Line 9 - enter the amount from Line 7
- 2) Line 10 - enter 20 percent of Line 8
- 3) add Lines 9 and 10 and enter on Line 11
- 4) for the readers concerned, Line 12 may be omitted. Enter a zero
- 5) enter the amount from Line 11 on Line 13
- 6) determine the tax on the amount on Line 13 using the appropriate Tax Rate Schedule X, Y, or Z, in the usual manner and enter on Line 14
- 7) determine the tax on the amount on Line 11 using Tax Rate Schedule X, Y, or Z in the usual manner and enter on Line 15. Since Line 11 and 13 were the same, Lines 14 and 15 would also be the same
- 8) determine the tax on the amount on Line 9 using Tax Rate Schedule X, Y, or Z and enter the amount on Line 16
- 9) subtract Line 16 from Line 15 and enter the difference on Line 17
- 10) multiply the amount on Line 17 by 4 and enter the amount on Line 18

- 11) add Lines 14 and 18 and enter the sum on Line 19
 12) the tax is the amount shown on Line 19 and re-entered on Line 21 as the computation year income tax

5. Sample Problem

a. Data

Year	AGI		Exemp.	Deduct		TI
	1040	1040A		%	Item.	
1972		4000	2	13		1980
1973		4000	2	15		1900
1974		5000	3	15		2000
1975	7000		3		1500	3250
1976	16000		4		3000	10000

- b. the following page is a Schedule G completed using the above information
- c. the Tax on \$10,000 taxable income would normally be \$1820 (see bottom of Schedule G). With income averaging, the tax is \$1648 for a saving of \$172.

Income Averaging

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▶ See instructions on pages 3 and 4.
▶ Attach to Form 1040.

1973

Name(s) as shown on Form 1040

Your social security number

Taxable Income and Adjustments

	(a) Computation year 1973 76	(b) 1st preceding base period year 1972 75	(c) 2d preceding base period year 1971 74	(d) 3d preceding base period year 1970 73	(e) 4th preceding base period year 1969 72
1 Taxable income (see instruction 1) . . .	10,000	3250	2000	1900	1980
2 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931 . . .					
3 Excess community income and certain amounts received by owner-employees subject to a penalty under section 72(m)(5). See instruction 3					
4 Accumulation distributions subject to section 668(a). See Form 4970					
5 Adjusted taxable income or base period income. (Line 1 plus line 2, less lines 3 and 4.) If less than zero, enter zero . . .	10,000	3250	2000	1900	1980

Computation of Averagable Income

6 Adjusted taxable income from line 5, column (a)	6	10000
7 30% of the sum of line 5, columns (b), (c), (d), and (e). $9130 \times .3$	7	2739
8 Averagable income (line 6 less line 7)	8	7261

Complete the remaining parts of this form only if line 8 is more than \$3,000. If \$3,000 or less, you do not qualify for income averaging. Do not fill in rest of form.

Computation of Tax

9 Amount from line 7	9	2739
10 20% of line 8 $7261 \times .2$	10	1452
11 Total (add lines 9 and 10)	11	4191
12 Amount from line 3, column (a), less any income subject to a penalty under section 72(m)(5) which was included in line 3	12	0
13 Total (add lines 11 and 12)	13	4191
14 Tax on amount on line 13 $620 + .19(191)$	14	656
15 Tax on amount on line 11	15	656
16 Tax on amount on line 9 $290 + .16(739)$	16	408
17 Difference (line 15 less line 16)	17	248
18 Multiply the amount on line 17 by 4	18	992
19 Total (add lines 14 and 18)	19	1648
20 Tax on income subject to the penalty under section 72(m)(5) which was included in line 3	20	0
21 Tax (add lines 19 and 20). Enter here and on Form 1040, line 16. Also check Schedule G box on Form 1040, line 16	21	1648

$$\begin{aligned} \text{Tax on } 10,000 &= 1380 + .22(2000) \\ &= 1820 \end{aligned}$$

B. Schedules E and R - Supplemental Income Schedules and Retirement
Income Credit Computation
Form 4831 - Rental Income

1. Schedule E and R is one sheet of paper that combines four problems into one chaos, among which is rental income
2. The concern of this paper is to provide insight with regards to reporting income derived from rental property
3. Rental Income is reported in Part II of Schedule E and R
 - a. this schedule is adequate if the filer has only one or two small, uncomplicated rental units
 - b. if a more complex return is necessary, the filer should consider using supplementary Form 4831 which is procedurally the same but more generous with space for a more thorough return
 - c. it should be remembered that the annual tax return may serve to report income and expenses for the purpose of taxation, but it may also serve the filer as a method of summarizing annual financial records. Form 4831 is especially suited to this purpose
4. Form 4831
 - a. Part I - Rent Income
 - 1) Line 1 is the space provided to list and describe each property
 - 2) Line 2 provides a space for entry of the total rent received from each rental unit
 - 3) the total rent from all units is entered on Line 3 and also on Line 1, Column a, of Part II, Schedule E and R. This is the Gross Rental Income
 - b. Part II - Expenses
 - 1) the procedure for Part II is rather obvious
 - 2) all expenses are entered for each individual rental unit. Herein lies the advantage of Form 4831
 - 3) a rental property owner might use one Form 4831 per month as a monthly summary sheet for rental income and expenses. The year end data compilation would be quite simple and directly related to the reporting for the income tax return
 - 4) all expenses for each property are totaled and the sum entered on Line 22
 - 5) the total of all expenses from all property is entered on Line 23 and also on Line 1, Column e of Part II, Schedule E and R
 - c. Part III - Depreciation
 - 1) the depreciation schedule is virtually identical to the Form 4562, therefore, no detailed discussion should be necessary. For a review see section IV.B. of this paper

- 2) Point of Importance
 - a) Land is not depreciable
 - b) when a property is purchased for rental purposes, a separate determination of the value of the land and building/dwelling must be made in order to determine the depreciable basis of the building
 - c) in addition, it should be remembered, that the building does not qualify for Investment Credit. (see IV.C.)
 - d) furnishings provided by the property owner (furniture and appliances) are depreciable and also qualify for investment credit
 - e) the total depreciation for the year is entered on Line 28, Column g, and also on Line 1, Column d of Part II, Schedule E and R. The totals of the depreciation schedule in Columns c and g must also be entered on Line 5 of the depreciation schedule of Schedule E and R

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(From pensions and annuities, rents and royalties, partnerships, estates and trusts, etc.)
 Attach to Form 1040.

1973

Your social security number

Part I Pension and Annuity Income. If fully taxable, do not complete this part. Enter amount on Form 1040, line 33. For each pension or annuity not fully taxable, attach a separate Part I and enter combined total of taxable portions on line 5.

\$

5 Taxable portion (subtract line 4 from line 3)

Note: If you are reporting farm rental income here, see Schedule E Instructions to determine if you should also file Form 4835. If at least two-thirds of your gross income is from farming or fishing, check this box ☐.

1 Totals

2. Net income or (loss) from rents and royalties (column (b) plus column (c) less columns (d) and (e))

If any of the partnership, estate or trust income reported below is from farming or fishing, see Schedule E Instructions to determine if you should also file Form 4835. If at least two-thirds of your gross income is from farming or fishing, check this box ☐.

1 Totals.

2 Income or (loss). Total of column (d) less total of column (e)

TOTAL OF PARTS I, II, AND III (Enter here and on Form 1040, line 31)

Schedule for Depreciation Claimed in Part II Above. If you need more space, you may use Form 4562.

Note: If depreciation is computed by using the Class Life (ADR) System for assets placed in service after December 31, 1970, or the Guideline Class Life System for assets placed in service before January 1, 1971, you must file Form 4332 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System). Except as otherwise expressly provided in income tax regulations sections 1.167(a)-11(b)(5)(vi) and 1.167(a)-12, the provisions of Revenue Procedures 62-21 and 65-13 are not applicable for taxable years ending after December 31, 1970.

Check box if you made an election this taxable year to use ☐ Class Life (ADR) System and/or ☐ Guideline Class Life System.

Summary of Depreciation (Other Than Additional First-Year Depreciation)

	Straight line	Declining balance	Sum of the years-digits	Units of production	Other (specify)	Total
1 Depreciation from Form 4832 . . .						
2 Depreciation from Form 5006 . . .						
3 Other . . .						

Name(s) as shown on Form 1040

Your social security number

This is an optional form that you may use if you need more space to report information with respect to rental properties or in lieu of attaching explanations of other expenses, repairs, etc. If you have more than 5 properties, you may attach additional

Form(s) 4831. If you use this form, be sure to write "See Form 4831" in Schedule E, Part II, column (a), and enter the totals of Parts I, II, and III of this form in the appropriate columns of Schedule E, Part II.

Part I Rent Income

1 Kind and Location of Property

Check if residential

Property A	
Property B	
Property C	
Property D	
Property E	

2 Rents received

Property A**Property B:****Property C**

Property D

Property E

3 Total (add amounts on line 2). Enter here and on Schedule E, Part II, column (b)

Part II Expenses

4 Advertising					
5 Auto and travel					
6 Cleaning					
7 Commissions					
8 Gardening					
9 Insurance					
10 Interest					
11 Janitor and heating					
12 Legal and accounting					
13 Management fees					
14 Office supplies					
15 Repairs (list):					
16 Salaries					
17 Supplies					
18 Taxes and licenses					
19 Telephone					
20 Utilities					
21 Other (list):					
22 Total expenses (add lines 4 through 21)					
23 Total expenses (add amounts on line 22). Enter here and on Schedule E, Part II, column (e)					

VI. Sample Returns

A. This Part Presents Seven Sample Returns

1. These returns were prepared from estimates of income and expenses based on information from several practitioners and the author's experience in preparing numerous personal and business tax returns
2. The returns are not intended to be precise estimates of anticipated expenses, but are presented to demonstrate certain concepts involved in income tax preparation that the author believes important to beginning professionals and taxpayers
3. To facilitate presentation of these concepts, a fictitious O.D. candidate and family have been created, along with fictitious data presented in the form of their income tax returns for a series of years beginning with the year prior to graduation (1974) and two succeeding years (1975 and 1976)
4. It must be remembered that the most important activity in tax preparation is RECORDKEEPING. The most troublesome aspect of this activity is that it requires diligence and perseverance the entire year. The professional is confronted with a double problem, in that he/she must keep professional and personal records. The art of recordkeeping would require an entire instructional volume by itself. Each person must investigate and evaluate recordkeeping systems in terms of his/her own needs, and then faithfully use which ever system is selected.
5. In some years, more than one return has been prepared
 - a. this is not to infer that one or the other is not correct, but only to demonstrate the effect on the final tax, of different circumstances
 - b. the difference may be in the method of arranging deductions to arrive at the least tax
 - c. it should also be pointed out that it may not always be an advantage to seek the least tax in any one year if it will result in a much higher tax in subsequent years
 - d. another reason for the several returns for one year is to include as much diversification in the complexity of returns as is practicable, and to illustrate as many of the anticipated problems as possible

B. Sample Return No. 1 (1974)

1. Data

Filer	Bruce I. Nocular (4 th year opt. student)
Spouse	Mary O. Nocular
Child/dependent	Photon I.
Income	All from wages as shown on the W-2 Forms

2. The short form, Form 1040A, was used for filing since itemized deductions were less than 15 percent of the AGI. AGI = \$8618; therefore, \$1293 in itemized deductions were needed to make Form 1040 worth considering
3. Filing Status - Married filing a joint return
4. Exemptions
 - a. one checked for each, filer and spouse
 - b. one checked for child/dependent
 - c. the total exemptions is entered in the column at the right and the child's name entered in the space provided
5. The total income from wages (total from W-2 forms) is entered on Line 9 (\$8600)
6. The total interest income (savings account) is entered on Line 11 (\$18)
7. Lines 9 and 11 are added and the total is entered on Line 12, (\$8618). This is the AGI
8. The tax is then determined by using the Optional Tax Table No. 3 (3 exemptions)
 - a. find the income range that includes the above determined AGI. The range would be "At least 8,600 but less than 8,650."
 - b. locate the tax (\$824) in the "Married filing joint return" column
 - c. enter the tax on Line 17 and check the box indicating that the Optional Tax Tables were used
9. The Noculars did not contribute to any political campaigns and so Line 18 is zero, and the amount on Line 17 is entered again on Line 19
10. The total withholding tax from both W-2 forms is entered on Line 20a (\$961). There was no excess FICA withheld and no estimated tax payments, therefore Lines 20b and 20c are zero
11. The total of Lines 20a, 20b, 20c is \$961 and is entered on Line 21
12. Since Line 21 is greater than Line 19, the Noculars have a refund due them. The difference (amount of the refund is entered on Line 23 (amount OVERPAID) and Line 24 (REFUNDED TO YOU)

13. Both B.I. and M.O. Nocular MUST sign and date the return; attach the Federal copies of the W-2 and mail the return
14. A photocopy of the return should be made before mailing (for the Noculars own records)

1

Wage and Tax Statement **1974**

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.				Employer's State identifying number		Copy A For Internal Revenue Service Center	
FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION			
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality	
344.00	2100.00	122.85	2100.00	9 Tax withheld	10 Wages paid	11 State or locality	
EMPLOYEE'S social security number ▶				Uncollected employee FICA tax on tips			
736-42-5301							
Nocular, Bruce I.							
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.			
Form W-2				☆ GPO: 1974-537-543 EI-36-2441915 Department of the Treasury—Internal Revenue Service			

1

Wage and Tax Statement **1974**

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.				Employer's State identifying number		Copy A For Internal Revenue Service Center	
FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION			
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality	
616.80	6500.00	380.25	6500.00	9 Tax withheld	10 Wages paid	11 State or locality	
EMPLOYEE'S social security number ▶				Uncollected employee FICA tax on tips			
720-54-1746							
Nocular, Mary O.							
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.			
Form W-2				Department of the Treasury—Internal Revenue Service			

Table 3 —Returns claiming THREE exemptions (and not itemizing deductions) (Continued)

If line 15 (adjusted gross income) is—		And you are—						If line 15 (adjusted gross income) is—		And you are—						If line 15 (adjusted gross income) is—		And you are—					
At least	But less than	Single, not head of household	Head of household	Married filing joint return	Married filing separate return claiming—			At least	But less than	Single, not head of household	Head of household	Married filing joint return	Married filing separate return claiming—			At least	But less than	Single, not head of household	Head of household	Married filing joint return	Married filing separate return claiming—		
					Low income allowance	% Stand-ard deduction							Low income allowance	% Stand-ard deduction							Low income allowance	% Stand-ard deduction	
Your tax is—																							
\$2,925	\$2,950	\$0	\$0	\$0	\$5	35	\$5,250	\$5,300	\$263	\$256	\$249	\$381	\$354	\$7,650	\$7,700	\$716	\$684	\$644	\$861	\$784			
2,950	2,975	0	0	0	9	38	5,300	5,350	272	264	256	391	362	7,700	7,750	727	693	653	872	795			
2,975	3,000	0	0	0	12	41	5,350	5,400	280	272	264	400	371	7,750	7,800	737	703	663	883	806			
3,000	3,050	0	0	0	18	45	5,400	5,450	289	280	271	410	379	7,800	7,850	748	712	672	894	817			
3,050	3,100	0	0	0	25	51	5,450	5,500	297	288	279	419	387	7,850	7,900	758	722	682	905	828			
3,100	3,150	0	0	0	32	57	5,500	5,550	306	296	286	429	395	7,900	7,950	769	731	691	916	839			
3,150	3,200	0	0	0	39	63	5,550	5,600	315	305	294	438	403	7,950	8,000	779	741	701	927	850			
3,200	3,250	0	0	0	46	69	5,600	5,650	324	314	302	448	411	8,000	8,050	790	750	710	938	861			
3,250	3,300	0	0	0	53	75	5,650	5,700	334	323	310	457	419	8,050	8,100	800	760	720	949	872			
3,300	3,350	0	0	0	60	81	5,700	5,750	343	332	318	467	427	8,100	8,150	811	769	729	960	883			
3,350	3,400	0	0	0	67	88	5,750	5,800	353	341	326	476	435	8,150	8,200	821	779	739	971	894			
3,400	3,450	0	0	0	74	94	5,800	5,850	362	350	334	486	443	8,200	8,250	832	788	748	982	905			
3,450	3,500	0	0	0	81	101	5,850	5,900	372	359	342	495	451	8,250	8,300	842	798	758	993	916			
3,500	3,550	0	0	0	89	107	5,900	5,950	381	368	350	505	459	8,300	8,350	853	807	767	1,004	927			
3,550	3,600	4	4	4	96	113	5,950	6,000	391	377	358	514	467	8,350	8,400	863	817	777	1,015	938			
3,600	3,650	11	11	11	104	120	6,000	6,050	400	386	366	524	476	8,400	8,450	874	826	786	1,026	949			
3,650	3,700	18	18	18	111	126	6,050	6,100	410	395	374	533	484	8,450	8,500	884	836	796	1,037	960			
3,700	3,750	25	25	25	119	132	6,100	6,150	419	404	382	543	492	8,500	8,550	895	845	805	1,048	971			
3,750	3,800	32	32	32	126	139	6,150	6,200	429	413	390	552	500	8,550	8,600	905	855	815	1,059	982			
3,800	3,850	39	39	39	134	145	6,200	6,250	438	422	398	562	508	8,600	8,650	916	864	824	1,070	993			
3,850	3,900	46	46	46	141	152	6,250	6,300	448	431	406	571	516	8,650	8,700	926	874	834	1,081	1,004			
3,900	3,950	53	53	53	149	159	6,300	6,350	457	440	414	581	524	8,700	8,750	935	882	842	1,092	1,015			
3,950	4,000	60	60	60	157	166	6,350	6,400	467	449	422	590	532	8,750	8,800	944	890	850	1,103	1,026			
4,000	4,050	67	67	67	165	172	6,400	6,450	476	458	430	600	540	8,800	8,850	953	898	858	1,114	1,037			
4,050	4,100	74	74	74	173	179	6,450	6,500	486	467	438	609	548	8,850	8,900	962	906	866	1,125	1,048			
4,100	4,150	81	81	81	181	186	6,500	6,550	495	476	446	619	556	8,900	8,950	971	914	874	1,136	1,059			
4,150	4,200	89	88	88	189	193	6,550	6,600	505	485	454	628	564	8,950	9,000	980	922	882	1,147	1,070			
4,200	4,250	96	95	95	197	200	6,600	6,650	514	494	463	638	572	9,000	9,050	988	930	890	1,158	1,081			
4,250	4,300	104	102	102	205	206	6,650	6,700	524	503	471	647	581	9,050	9,100	997	938	898	1,174	1,092			
4,300	4,350	111	109	109	213	213	6,700	6,750	533	512	480	657	590	9,100	9,150	1,006	946	906	1,186	1,103			
4,350	4,400	119	116	116	221	220	6,750	6,800	543	521	488	666	600	9,150	9,200	1,015	954	914	1,199	1,114			
4,400	4,450	126	123	123	229	227	6,800	6,850	552	530	497	676	609	9,200	9,250	1,024	962	922	1,211	1,125			
4,450	4,500	134	130	130	238	234	6,850	6,900	562	539	505	685	619	9,250	9,300	1,033	970	930	1,224	1,136			
4,500	4,550	141	137	137	246	241	6,900	6,950	571	548	514	696	628	9,300	9,350	1,042	978	938	1,236	1,149			
4,550	4,600	149	144	144	255	249	6,950	7,000	581	557	522	707	638	9,350	9,400	1,051	987	947	1,249	1,161			
4,600	4,650	157	152	151	263	256	7,000	7,050	590	566	531	718	647	9,400	9,450	1,060	995	955	1,261	1,174			
4,650	4,700	165	160	159	272	263	7,050	7,100	600	575	539	729	657	9,450	9,500	1,069	1,003	963	1,274	1,186			
4,700	4,750	173	168	166	280	270	7,100	7,150	609	584	548	740	666	9,500	9,550	1,078	1,011	971	1,286	1,199			
4,750	4,800	181	176	174	289	277	7,150	7,200	619	593	556	751	676	9,550	9,600	1,087	1,019	979	1,299	1,211			
4,800	4,850	189	184	181	297	285	7,200	7,250	628	602	565	762	685	9,600	9,650	1,096	1,027	987	1,311	1,224			
4,850	4,900	197	192	189	306	292	7,250	7,300	638	611	573	773	696	9,650	9,700	1,104	1,035	995	1,324	1,236			
4,900	4,950	205	200	196	315	299	7,300	7,350	647	620	582	784	707	9,700	9,750	1,114	1,044	1,003	1,336	1,249			
4,950	5,000	213	208	204	324	306	7,350	7,400	657	629	590	795	718	9,750	9,800	1,124	1,053	1,011	1,349	1,261			
5,000	5,050	221	216	211	334	314	7,400	7,450	666	638	599	806	729	9,800	9,850	1,134	1,062	1,019	1,361	1,274			
5,050	5,100	229	224	219	343	322	7,450	7,500	676	647	607	817	740	9,850	9,900	1,145	1,072	1,027	1,374	1,286			
5,100	5,150	238	232	226	353	330	7,500	7,550	685	656	616	828	751	9,900	9,950	1,155	1,081	1,035	1,386	1,299			
5,150	5,200	246	240	234	362	338	7,550	7,600	695	665	625	839	762	9,950	10,000	1,165	1,090	1,043	1,399	1,311			
5,200	5,250	255	248	241	372	346	7,600	7,650	706	674	634	850	773										

Table 4 —Returns claiming FOUR exemptions (and not itemizing deductions)

\$0	\$3,550	\$0	\$0	\$0	\$0	\$0	\$4,550	\$4,600	\$39	\$39	\$39	\$134	\$128	\$5,600	\$5,650	\$197	\$192	\$189	\$306	\$273
3,550	3,600	0	0	0	0	5	4,600	4,650	46	46	46	141	135	5,650	5,700	205	200	196	315	280
3,600	3,650	0	0	0	0	11	4,650	4,700	53	53	53	149	141	5,700	5,750	213	208	204	324	287
3,650	3,700	0	0	0	4	17	4,700	4,750	60	60	60	157	148	5,750	5,800	221	216	211	334	294
3,700	3,750	0	0	0	11	23	4,750	4,800	67	67	67	165	154	5,800	5,850	229	224	219	343	302
3,750	3,800	0	0	0	18	29	4,800	4,850	74	74	74	173	161	5,850	5,900	238	232	226	353	309
3,800	3,850	0	0	0	25	35	4,850	4,900	81	81	81	181	168	5,900	5,950	246	240	234	362	317
3,850	3,900	0	0	0	32	41	4,900	4,950	89	88	88	189	175	5,950	6,000	255	248	241	372	325
3,900	3,950	0	0	0	39	47	4,950	5,000	96	95	95	197	182	6,000	6,050	263	256	249	381	333
3,950	4,000	0	0	0	46	53	5,000	5,050	104	102	102	205	188	6,050	6,100	272	264	256	391	341
4,000	4,050	0	0	0	53	59	5,050	5,100	111	109	109	213	195	6,100	6,150	280	272	264	400	349
4,050	4,100	0	0	0	60	65	5,100	5,150	119	116	116	221	202	6,150	6,200	289	280	271	410	357
4,100	4,150	0	0	0	67	71	5,150	5,200	126	123	123	229	209	6,200	6,250	297	288	279	419	365
4,150	4,200	0	0	0	74	77	5,200	5,250	134	130	130	238	216	6,250	6,300	306	296	286	429	373
4,200	4,250	0	0	0	81	84	5,250	5,300	141	137	137	246	222	6,300	6,350	315	305	294	438	381
4,250	4,300	0	0	0	89	90	5,300	5,350	149	144	144	255	229	6,350	6,400	324	314	302	448	390
4,300	4,350	4	4	4	96	96	5,350	5,400	157	152	151	263	237	6,400	6,450	334	323	310	457	398
4,350	4,400	11	11	11	104	103	5,400	5,450	165	160	159	272	244	6,450	6,500	343	332	318	467	406
4,400	4,450	18	18	18	111	109	5,450	5,500	173	168	166	280	251							
4,450	4,500	25	25	25	119	116	5,500	5,550	181	176	174	289	258							
4,500	4,550	32	32	32	126	122	5,550	5,600	189	184	181	297	266							
														Continued on next page						

Short Form 1040A U.S. Individual Income Tax Return

Department of the Treasury
Internal Revenue Service

131 3
1978

Please print or type	Name (if joint return, give first names and initials of both) Last name Bruce I. and Mary O. Nocular	COUNTY OF RESIDENCE	Your social security number 736 42 5301
	Present home address (Number and street, including apartment number, or rural route) 1775 Poverty Place		Spouse's social security no. 720 54 1746
	City, town or post office, State and ZIP code Forest Grove OR 97116	Occupation Yours Labor Spouse's Pract. Nurse	

Filing Status—check only one:

1 ☐ Single

2 ☒ Married filing joint return (even if only one had income)

3 ☐ Married filing separately. If spouse is also filing, give spouse's social security number in designated space above and enter full name here **▶**

4 ☐ Unmarried Head of Household

5 ☐ Widow(er) with dependent child (Year spouse died **▶** 19)

Exemptions

6a Yourself ☒ ☐ ☐ Enter number of boxes checked **2**

b Spouse ☒ ☐ ☐

c First names of your dependent children who lived with you **Photon T.** Enter number **1**

d Number of other dependents (from line 26) **▶** **3**

7 Total exemptions claimed **▶** **3**

8 **Presidential Election Campaign Fund.**—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wish s to designate \$1. Note: This will not increase your tax or reduce your refund. See note on back.

Attach Copy B of Forms W-2 and Check or Money Order here	9 Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, attach explanation.)	9	8600	—
	10a Dividends (See instructions on page 3.) \$ 10b Less exclusion \$ Balance ▶	10c	0	—
	11 Interest income	11	18	—
	12 Total (add lines 9, 10c, and 11) (Adjusted Gross Income)	12	8618	—
	<p>• If you want IRS to figure your tax, skip the rest of this page and see instructions on page 3.</p> <p>• If line 12 is under \$10,000 find tax in Tables 1-12 and enter on line 17. Skip lines 13 through 16.</p>			
13 If line 12 is \$10,000 or more, enter 15% of line 12 but not more than \$2,000 (\$1,000 if line 3 checked)	13			
14 Subtract line 13 from line 12	14			
15 Multiply total number of exemptions claimed on line 7 by \$750	15			
16 Taxable income (subtract line 15 from line 14) (Figure tax on amount on line 16 using Tax Rate Schedule X, Y, or Z, and enter on line 17.)	16			

Note: To itemize would require minimum of \$1293⁰⁰ in deductions.

Form 1040A (1973)

Page 2

17 Tax, check if from: <input checked="" type="checkbox"/> Tax Tables 1-12 OR <input type="checkbox"/> Tax Rate Schedule X, Y, or Z	17	824	—
18 Credit for contributions to candidates for public office (see instructions on page 4)	18	0	—
19 Income tax (subt act line 18 from line 17). If less than zero, enter zero	19	824	—
20a Total Federal income tax withheld (attach Forms W-2 to front)	20a	961	—
b Excess FICA tax withheld (two or more employers—see instructions on page 4)	b	0	
c 1973 estimated tax payments (include amount allowed as credit from 1972 return)	c		
21 Total (add lines 20a, b, and c)	21	961	—
22 If line 19 is larger than line 21, enter BALANCE DUE IRS Pay in full with return. Write social security number on check or money order and make payable to Internal Revenue Service ▶	22		
23 If line 21 is larger than line 19, enter amount OVERPAID ▶	23	137	—
24 Amount of line 23 to be REFUNDED TO YOU ▶	24	137	—
25 Amount of line 23 to be credited on 1974 estimated tax ▶ 25	25		

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$
26 Total number of dependents listed in column (a). Enter here and on line 6d ▶ 1						

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.

Sign here ▶ Bruce I. Nocular Your signature	Date	Preparer's signature (other than taxpayer) ▶	Date
Spouse's signature (if filing jointly, BOTH must sign even if only one had income)		Preparer's Emp. Ident. or Soc. Sec. No.	

C. Sample Return No. 2A (1975-A). The Transition Year

1. Data

Filer and Spouse - as before except that B.I. Nocular is now a practicing optometrist

Child/dependent - Photon I. and Quanta M.

Income	- Schedule C	\$1680
	State Tax Refund	47
	Wages - Filer	1600
	- Spouse	6800
	Interest - Joint	26

2. The long form, Form 1040, is used since

- the itemized deductions exceed 15 percent of the AGI
- the GI exceeds \$10,000
- either a. or b. would require use of the Form 1040

3. Filing Status - same as the 1974, married filing a joint return

4. Exemptions

- one each checked for, filer and spouse
- one each checked for children
- the total number of exemptions are entered in the column at the right and the children's names entered in the space provided

5. Supplementary schedules to be filed

- Schedule C (Professional Return)
- Schedule SE (Self-employment Tax)
- Form 3903 (Moving Expense Adjustment)
- Schedule A (Itemized Deductions)
- Form 2441 (Dependent Care Expenses)
- Form 1040ES (Estimated Tax for 1976)

6. Other pertinent information

- Dr. Nocular was self-employed through a professional service contract with another optometrist during 1975 and did not purchase any depreciable equipment
- a brief depreciation schedule was started to depreciate equipment purchased while in school and prior to beginning practice. (Schedule C-3)
- since Dr. Nocular was self-employed with a Schedule C net income in excess of \$400, he is required to file a Schedule SE. The self-employment status requires that he submit a Form 1040 ES also
- the Noculars had lived in rented home/apartment and did not incur expenses related to breaking a lease
- the return is relatively uncomplicated and it is suggested that each form be examined and the entries and calculations be followed through to the final calculations. Use the flow chart in Section III. B. as a guide

1

Wage and Tax Statement

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.

Employer's State identifying number

Copy A For Internal Revenue Service Center

FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION		
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality
256.0	1600.0	93.60	1600.0			
EMPLOYEE'S social security number				5 Uncollected employee FICA tax on tips	9 Tax withheld	10 Wages paid
736-42-5301						11 State or locality
Bruce I. Nocular				OTHER INFORMATION		
				STATUS		
Was employee covered by a qualified pension plan etc.?				Contribution to individual employee retirement account	Cost of group term life insurance included in box 2	Excludable sick pay included in box 2
Yes <input type="checkbox"/> No <input type="checkbox"/>						Single <input type="checkbox"/> Married <input checked="" type="checkbox"/>
If this is a corrected form, put an "X" to the right of the number in the upper left corner.						
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.		

Form W-2

☆ GPO: 1974-537-543 EI-36-2441915

Department of the Treasury—Internal Revenue Service

1

Wage and Tax Statement

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.

Employer's State identifying number

Copy A For Internal Revenue Service Center

FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION		
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality
543.60	6800.0	397.80	6800.0			
EMPLOYEE'S social security number				5 Uncollected employee FICA tax on tips	9 Tax withheld	10 Wages paid
720-54-1746						11 State or locality
Mary O. Nocular				OTHER INFORMATION		
				STATUS		
Was employee covered by a qualified pension plan etc.?				Contribution to individual employee retirement account	Cost of group term life insurance included in box 2	Excludable sick pay included in box 2
Yes <input type="checkbox"/> No <input type="checkbox"/>						Single <input type="checkbox"/> Married <input checked="" type="checkbox"/>
If this is a corrected form, put an "X" to the right of the number in the upper left corner.						
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.		

Form W-2

Department of the Treasury—Internal Revenue Service

Form 1040

US Department of the Treasury—Internal Revenue Service
Individual Income Tax Return

For the year January 1–December 31, 1973, or other taxable year beginning _____, 1973, ending _____, 19_____

Please print or type	Name (If joint return, give first names and initials of both) Bruce I. and Mary O.	Last name Nocular	COUNTY OF RESIDENCE	Your social security number 736 42 5301
	Present home address (Number and st eet, including apartment number, or rural route) 8211 Easy St.		Spouse's social security no. 720 54 1746	
	City, town or post office, state and ZIP code		Occupation Yours ▶ Optometrist Spouse's ▶ Practical Nurse	

Filing Status—check only one: 1 <input type="checkbox"/> Single 2 <input checked="" type="checkbox"/> Married filing joint return (even if only one had income) 3 <input type="checkbox"/> Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶ 4 <input type="checkbox"/> Unmarried Head of Household. 5 <input type="checkbox"/> Widow(er) with dependent child (Year spouse died ▶ 19)	Exemptions Regular / 65 or over / Blind 6a Yourself . . . <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Enter number of boxes checked ▶ 2 b Spouse . . . <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> c First names of your dependent children who lived with you Photon I. Quanta M. Enter number ▶ 2 d Number of other dependents (from line 27) . . . ▶ 7 Total exemptions claimed . . . ▶ 4
8 Presidential Election Campaign Fund. —Check <input type="checkbox"/> if you wish to designate \$1 of your taxes for this fund. If joint return, check <input type="checkbox"/> if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note below.	

Income	9 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, attach explanation)	9	8400	—
	10a Dividends (See instructions on page 6.) \$....., 10b Less exclusion \$....., Balance ▶	10c		
	10d (Gross amount received, if different from line 10a \$.....)			
	11 Interest income	11	26	—
	12 Income other than wages, dividends, and interest (from line 38)	12	1727	—
	13 Total (add lines 9, 10c, 11, and 12)	13	10153	—
	14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)	14	718	—
	15 Subtract line 14 from line 13 (adjusted gross income)	15	9435	—

• If you do not itemize deductions and line 15 is under \$10,000, find tax in Tables and enter on line 16.
• If you itemize deductions or line 15 is \$10,000 or more, go to line 44 to figure tax.
• CAUTION. If you have unearned income and can be claimed as a dependent on your parent's return, check here ☐ and see instructions on page 7.

Tax, Payments and Credits	16 Tax, check if from: Tax Tables 1-12 <input checked="" type="checkbox"/> Tax Rate Schedule X, Y, or Z <input checked="" type="checkbox"/> <input type="checkbox"/> Schedule D <input type="checkbox"/> Schedule G <input type="checkbox"/> Form 4726 OR <input type="checkbox"/> Form 4972	16	585	—
	17 Total credits (from line 54)	17	0	—
	18 Income tax (subtract line 17 from line 16)	18	585	—
	19 Other taxes (from line 61)	19	134	—
	20 Total (add lines 18 and 19)	20	719	—
	21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front)	21a	800	—
	b 1973 estimated tax payments (include amount allowed as credit from 1972 return)	b	0	—
	c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	c	0	—
	d Other payments (from line 65)	d	0	—
	22 Total (add lines 21a, b, c, and d)	22	800	—

Balance Due or Refund	23 If line 20 is larger than line 22, enter BALANCE DUE IRS (Check here <input type="checkbox"/> if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.)	23		
	24 If line 22 is larger than line 20, enter amount OVERPAID	24	81	—
	25 Amount of line 24 to be REFUNDED TO YOU	25	81	—
	26 Amount of line 24 to be credited on 1974 estimated tax	26		

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Sign here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.	
	Bruce I. Nocular 3/20/76 Your signature Date	Preparer's signature (other than taxpayer) Date
	Spouse's signature (if filing jointly, BOTH must sign even if only one had income)	Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.

Please attach Copy B of Forms W-2 here
Write soc. sec. no. on Check or Money Order. Attach here

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	1680	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29		
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8)	35	47	-
36 Alimony received	36		
37 Other (state nature and source)	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	1727	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40	718	-
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43	718	-

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	9435	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	2643	-
46 Subtract line 45 from line 44	46	6792	-
47 Multiply total number of exemptions claimed on line 7, by \$750 (4)	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	3792	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 15.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50		
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54		

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	134	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	134	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign Accounts	Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach Form 4683. (For definitions, see Form 4683.)	

SCHEDULE C
(Form 1040)
Department of the Treasury
Internal Revenue Service

Profit or (Loss) From Business or Profession

(Sole Proprietorship)

▶ Attach to Form 1040. ▶ Partnerships, joint ventures, etc., must file Form 1065.

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Name(s) as shown on Form 1040

B. I. Nocular, OD

Social security number

736 42 5301

A Principal business activity (see Schedule C Instructions) ▶ Service

product ▶ Optometrist

B Business name ▶ B. I. Nocular OD

C Employer identification number ▶ N/A

D Business address (number and street) ▶ 4104 Neural Pathway

City, State and ZIP code ▶

E Indicate method of accounting: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other ▶

F Were you required to file Form W-3 or Form 1096 for 1973? (See Schedule C Instructions.)

If "Yes," where filed ▶

G Was an Employer's Quarterly Federal Tax Return, Form 941, filed for this business for any quarter in 1973?

H Method of inventory valuation ▶ Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? (If "Yes," attach explanation)

Yes	No
	X
	X
	X

Income	1 Gross receipts or sales \$ 8700 Less: returns and allowances \$ 0 Balance ▶	8700	-
	2 Less: Cost of goods sold and/or operations (Schedule C-1, line 8)	3439	-
	3 Gross profit	5261	-
	4 Other income (attach schedule)	0	-
	5 Total income (add lines 3 and 4)	5261	-
Deductions	6 Depreciation (explain in Schedule C-3)	180	-
	7 Taxes on business and business property (explain in Schedule C-2)	87	-
	8 Rent on business property	750	-
	9 Repairs (explain in Schedule C-2)	0	-
	10 Salaries and wages not included on line 3, Schedule C-1 (exclude any paid to yourself)	150	-
	11 Insurance	100	-
	12 Legal and professional fees		
	13 Commissions		
	14 Amortization (attach statement)		
	15 (a) Pension and profit-sharing plans (see Schedule C Instructions) (b) Employee benefit programs (see Schedule C Instructions)		
	16 Interest on business indebtedness	285	-
	17 Bad debts arising from sales or services		
	18 Depletion		
	19 Other business expenses (specify):		
	(a) Office Supplies	379	-
	(b) Telephone	110	-
	(c) Utilities	125	-
	(d) Dues and Subscriptions	90	-
	(e) Auto Expense - 2400 mi @ 15¢/mi	360	-
	(f) Equipment rental	800	-
	(g) Small tool/equip purchase	165	-
	(h)		
	(i)		
	(j)		
	(k) Total other business expenses (add lines 19(a) through 19(j))	2029	-
	20 Total deductions (add lines 6 through 19)	3581	-

21 Net profit or (loss) (subtract line 20 from line 5). Enter here and on Form 1040, line 28. ALSO enter on Schedule SE, line 5(a)

1680 -

SCHEDULE C-1.—Cost of Goods Sold and/or Operations (See Schedule C Instructions for Line 2)

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	0	
2 Purchases \$ 3219 Less: cost of items withdrawn for personal use \$ 0 Balance ▶	3219	
3 Cost of labor (do not include salary paid to yourself)	175	
4 Materials and supplies	45	
5 Other costs (attach schedule)	3439	
6 Total of lines 1 through 5	0	
7 Less: Inventory at end of year	3439	
8 Cost of goods sold and/or operations. Enter here and on line 2 above		

[illegible]**SUMMARY OF DEPRECIATION (Other Than Additional First-Year Depreciation)**

	Straight line	Declining balance	Sum of the years-digits	Units of production	Other (specify)	Total
1 Depreciation from Form 4832 . . .						
2 Depreciation from Form 5006 . . .						
3 Other . . .						

94.1149624

Computation of Social Security Self-Employment Tax

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1975-A

- ▶ Each self-employed person must file a Schedule SE.
- ▶ Attach to Form 1040.

- If you had wages, including tips, of \$10,800 or more that were subject to social security taxes, do not fill in this form.
- If you had more than one business, combine profits and losses from all your businesses and farms on this Schedule SE.

Important.—The self-employment income reported below will be credited to your social security record and used in figuring social security benefits.

NAME OF SELF-EMPLOYED PERSON (AS SHOWN ON SOCIAL SECURITY CARD)

Social security number
of self-employed person

Bruce I. Nocular

736 42 5301

Business activities subject to self-employment tax (grocery store, restaurant, farm, etc.) ▶

- If you have only farm income complete Parts I and III.
- If you have only nonfarm income complete Parts II and III.
- If you have both farm and nonfarm income complete Parts I, II, and III.

Part I Computation of Net Earnings from FARM Self-Employment

SE

A farmer may elect to compute net farm earnings using the **OPTIONAL METHOD**, line 3, instead of using the **Regular Method**, line 2, if his gross profits are: (1) \$2,400 or less, or (2) more than \$2,400 and net profits are less than \$1,600. However, lines 1 and 2 must be completed even if you elect to use the **FARM OPTIONAL METHOD**.

1 REGULAR METHOD—Net profit or (loss) from:

- (a) Schedule F, line 54 (cash method), or line 74 (accrual method)
- (b) Farm partnerships

2 Net earnings from farm self-employment (add lines 1(a) and 1(b))

3 FARM OPTIONAL METHOD—If gross profits from farming are:¹

- (a) Not more than \$2,400, enter two-thirds of the gross profits
- (b) More than \$2,400 and the net farm profit is less than \$1,600, enter \$1,600

¹ Gross profits from farming are the total gross profits from Schedule F, line 28 (cash method), or line 72 (accrual method), plus the distributive share of gross profits from farm partnerships (Schedule K-1 (Form 1065), line 15) as explained in instructions for Schedule SE.

4 Enter here and on line 12(a), the amount on line 2, or line 3 if you elect the farm optional method

Part II Computation of Net Earnings from NONFARM Self-Employment

5 REGULAR METHOD—Net profit or (loss) from:

- (a) Schedule C, line 21. (Enter combined amount if more than one business.)
- (b) Partnerships, joint ventures, etc. (other than farming)
- (c) Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361, check here ☐ and enter zero on this line
- (d) Service with a foreign government or international organization
- (e) Other (director's fees, etc.). Specify ▶

6 Total (add lines 5(a), 5(b), 5(c), 5(d), and 5(e))

7 Enter other adjustments (attach statement)

8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7)

If line 8 is \$1,600 or more **OR** if you do not elect to use the Nonfarm Optional Method, omit lines 9 through 11 and enter amount from line 8 on line 12(b), Part III.

Note: You may use the nonfarm optional method (line 9 through line 11) only if line 8 is less than \$1,600 and less than two-thirds of your gross nonfarm profits,² and you had actual net earnings from self-employment of \$400 or more for at least 2 of the 3 following years: 1970, 1971, and 1972. The nonfarm optional method can only be used for 5 taxable years.

² Gross profits from nonfarm business are the total of the gross profits from Schedule C, line 3, plus the distributive share of gross profits from nonfarm partnerships (Schedule K-1 (Form 1065), line 15) as explained in instructions for Schedule SE. Also, include gross profits from services reported on lines 5(c), 5(d), and 5(e), as adjusted by line 7.

9 NONFARM OPTIONAL METHOD:

- (a) Maximum amount reportable, under both optional methods combined (farm and nonfarm)
- (b) Enter amount from line 3. (If you did not elect to use the farm optional method, enter zero.)
- (c) Balance (subtract line 9(b) from line 9(a))

10 Enter two-thirds of gross nonfarm profits² or \$1,600, whichever is smaller

11 Enter here and on line 12(b), the amount on line 9(c) or line 10, whichever is smaller

1680 —

0

0

0

0

1680 —

1680 —

\$1,600 00

1975-A

Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
(a) From farming (from line 4)			0
(b) From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)			1680
13 Total net earnings or (loss) from self-employment reported on line 12. (If line 13 is less than \$400, you are not subject to self-employment tax. Do not fill in rest of form.)			1680
14 The largest amount of combined wages and self-employment earnings subject to social security tax for 1974 is	14,100	00	
15 (a) Total "FICA" wages as indicated on Forms W-2	1600	-	
(b) Unreported tips, if any, subject to FICA tax from Form 4137, line 9	0		
(c) Total of lines 15(a) and 15(b)	1600	-	
16 Balance (subtract line 15(c) from line 14)	12,500	-	
17 Self-employment income—line 13 or 16, whichever is smaller			1680
18 If line 17 is \$1128, enter 0.08; if less, multiply the amount on line 17 by			134
19 Railroad employee's and railroad employee representative's adjustment for hospital insurance benefits tax from Form 4469			0
20 Self-employment tax (subtract line 19 from line 18). Enter here and on Form 1040, line 55			134

You may use this space to make any needed computations

Moving Expense Adjustment

► Attach to Form 1040.

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Name(s) as shown on Form 1040

Nocular, Bruce I and Mary O.

Social security number

736 42 5301

- (a) What is the distance from your former residence to your new business location? *450* miles
- (b) What is the distance from your former residence to your former business location? *1* miles

Note: The moving expense deduction is not allowed unless distance (a) is 50 or more miles farther than distance (b). (See instruction A.)

1 Transportation expenses to move household goods and personal effects	<i>240</i>
2 Travel, meals, and lodging expenses to move from former residence to new place of residence	<i>62</i>
3 Pre-move travel, meals, and lodging expenses to search for a new residence after obtaining employment	<i>189</i>
4 Temporary living expenses in new location (or area) during any period of 30 consecutive days after obtaining employment	<i>227</i>
5 Total (Add lines 3 and 4.)	<i>416</i>
6 Enter lesser of the amount on line 5 or \$1,000 (\$500 if married, filing a separate return, and you resided with your spouse who also started work during the taxable year)	<i>416</i>
7 Expenses incident to: (Check one.)	
(a) <input type="checkbox"/> sale or exchange of taxpayer's former residence; or,	<i>0</i>
(b) <input type="checkbox"/> if nonowner, settlement of an unexpired lease on former residence	
8 Expenses incident to: (Check one.)	
(a) <input type="checkbox"/> purchase of a new residence; or,	<i>0</i>
(b) <input type="checkbox"/> if renting, acquiring a new lease	
9 Total (Add lines 6, 7, and 8.)	<i>416</i>
Note: If you use expenses of selling your old residence (line 7(a)) or purchasing a new residence (line 8(a)) as part of your moving expense and line 9 exceeds \$2,500 (\$1,250 if married, filing a separate return, and you resided with your spouse who also started to work during the taxable year), you may apply the excess as a reduction in the amount shown on line 7(a) and/or 8(a) and consider such reduction as a decrease in the realized gain on the sale of your residence or as an increase in the basis of your new residence or both.	
10 Enter lesser of the amount on line 9 or \$2,500 (\$1,250 if married, filing a separate return and you resided with your spouse who also started to work during the taxable year). (See instruction C(2).)	<i>416</i>
11 Total moving expenses (Add lines 1, 2, and 10.)	<i>718</i>
12 Reimbursements and allowances received for this move (other than amounts included on Form W-2) (See instruction L.)	<i>0</i>
13 If line 12 is less than line 11, enter the excess expenses here and on line 40, Form 1040	<i>718</i>
14 If line 12 is larger than line 11, enter the excess reimbursements and allowances here and on Form 1040, line 37, as "Excess moving reimbursement"	<i>—</i>

Instructions

A. Who May Deduct Moving Expenses.—An employee or self-employed individual may deduct reasonable moving expenses paid or incurred during the taxable year in connection with his move to a new principal place of work.

The deduction is allowed only if (a) the change in job locations has added at least 50 miles to the distance to work from the old residence, or (b) if there was no former principal place of work,

the new principal place of work is at least 50 miles from the former residence. The distance between two points shall be the shortest of the more commonly traveled routes between the two points.

Also, the deduction is allowed only if either (a) during the 12-month period immediately following arrival in the general location of the new principal place of work the taxpayer is a full-time employee during at least 39 weeks, or (b)

during the 24-month period immediately following arrival in the general location of the new principal place of work, the taxpayer is a full-time employee or is self-employed on a full-time basis during at least 78 weeks of which not less than 39 weeks are during the 12-month period following arrival.

B. The 39 Week/78 Week Test.—The 39 week/78 week test referred to in instruction A may be disregarded if it is

(Continued on back)

736	42	5301
-----	----	------

Computation of deduction for household and dependent care services

[illegible]

Name

Nocular, Bruce I and Mary O.

Social Security Number

736-42-5301

1 Enter amount of Adjusted Gross Income expected in 1974 (see note in Instruction 1) 20,000
TAX TABLE USERS OMIT LINES 2, 3, AND 4. FIND TAX IN TAX TABLES 1-12 IN
1973 INSTRUCTIONS FOR FORM 1040 OR FORM 1040A AND ENTER ON LINE 5
(Caution: If another person is entitled to claim you as a dependent, see 1973 Instructions for Form 1040 or Form 1040A.)

2 If you expect to itemize deductions, enter estimated total of such deductions. If you do not expect to itemize
deductions, enter 15% of line 1 (limited to \$2,000 (\$1,000 if married filing separately)) 4,500

3 Exemptions (\$750 for each, including additional exemptions for age and blindness) 3,000

4 Line 1 less the total of lines 2 and 3. This is your estimated taxable income 12,500

5 Tax (Compute tax on the amount on line 4 by using appropriate Tax Rate Schedule X, Y, or Z on page 4 or tax
on the amount on line 1 from 1973 Tax Tables 1-12.) 2,385

6 Credits: retirement income, foreign tax, investment, political contributions, and work incentive (WIN) 1,000

7 Line 5 less line 6 1,385

8 Tax from recomputing prior year's investment credit (see Form 4255) 0

9 Tax from recomputing prior year's work incentive (WIN) credit 0

10 Estimate of 1974 self-employment income \$; if \$12,600 or more, enter \$1,008; if less, multiply
the amount by .08. (If joint declaration and both have self-employment income, make separate computations.) 1,024

11 Add lines 7, 8, 9, and 10 2,409

12 Estimated income tax withheld and to be withheld during entire year 1974 plus credit for Federal tax on
gasoline, special fuels, and lubricating oil 1073

13 Estimated tax (line 11 less line 12). Enter here and in Block A on declaration-voucher. If \$100 or more, file
the declaration-voucher. If less than \$100, no declaration is required 1336

14 Computation of installments:
If declaration is due to { April 15, 1974, enter 1/4 } of line 13 here and on line 1 of original }
{ June 15, 1974, enter 1/3 } and subsequent declaration-vouchers }
be filed on: { September 15, 1974, enter 1/2 }
{ January 15, 1975, enter amount }

Note: If your estimated tax should change during the year, you may use the amended computation below to
determine the amended amounts to be entered on declaration-voucher.

Amended Computation

(Use if estimated tax is substantially changed after the first declaration-voucher filed.)

- 1 Amended estimated tax. (Enter here and in Block A on declaration-voucher.)
- 2 Less:
(a) Amount of last year's overpayment elected for credit to 1974 estimated tax and applied to date
- (b) Payments made on 1974 declaration
- (c) Total of lines 2(a) and 2(b)
- 3 Unpaid balance (line 1 less line 2(c))
- 4 Amount to be paid (line 3 divided by number of remaining installments). (Enter here and on line 1 of declaration-voucher.)

Record of Estimated Tax Payments

Voucher number	Date	Amount	1973 overpayment credit applied to installment	Total amount paid and credited from Jan. 1 through the installment date shown. Add (b) and (c)
	(a)	(b)	(c)	(d)
1	3/20/76	334	0	334
2				
3				
4				
Total				

Page 2

Detach here

Form 1040-ES

Department of the Treasury
Internal Revenue ServiceEstimated Tax Declaration-Voucher
for Individuals—1974

(To be used for making declaration and payment)

Voucher 1 Due April 15, 1976

(Calendar year—1976)

*A. Estimated tax (or amended estimated tax) for the year ending 12/31/76 (month and year)

*B. Overpayment from last year credited to estimated tax for this year

If fiscal year taxpayer, see instruction 10.

* Complete only if this is an original or amended declaration, and your total estimated tax for the year is \$100.00 or more.

Return this voucher with check or money order payable to "Internal Revenue Service."

1. Amount of this installment \$ 334
2. Amount of unused overpayment credit, if any, applied to this installment (see Instruction 8) \$ 0
3. Amount of this installment payment (line 1 less line 2) \$ 334

If this is an original declaration-voucher, file even though line 3 is zero.

*Sign Bruce I. Nocular
here Mary O. Nocular
(Spouse's signature (if joint declaration))

Please type or print

Your social security number

736-42-5301

Spouse's number, if joint return

720-54-1746

First name and initial (if joint declaration, use first names and middle initials of both)

Bruce I. and
Mary O.

Last name

Nocular

Address (Number and street)

8211 Easy Street

City, State, and ZIP code

1975-A

Tax Rate Schedules

For individuals who do not use the tax tables.
(See 1973 Instructions for Form 1040 or Form 1040A.)

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z

If the amount on line 4, Estimated Tax Worksheet, is: Enter on line 5, Estimated Tax Worksheet:

Not over \$500.....14% of the amount on line 4.

Over—	But not over—		of excess over—
\$500	\$1,000	\$70+15%	\$500
\$1,000	\$1,500	\$145+16%	\$1,000
\$1,500	\$2,000	\$225+17%	\$1,500
\$2,000	\$4,000	\$319+19%	\$2,000
\$4,000	\$6,000	\$690+21%	\$4,000
\$6,000	\$8,000	\$1,110+24%	\$6,000
\$8,000	\$10,000	\$1,590+25%	\$8,000
\$10,000	\$12,000	\$2,090+27%	\$10,000
\$12,000	\$14,000	\$2,630+29%	\$12,000
\$14,000	\$16,000	\$3,210+31%	\$14,000
\$16,000	\$18,000	\$3,830+34%	\$16,000
\$18,000	\$20,000	\$4,510+36%	\$18,000
\$20,000	\$22,000	\$5,230+38%	\$20,000
\$22,000	\$26,000	\$5,990+40%	\$22,000
\$26,000	\$32,000	\$7,590+45%	\$26,000
\$32,000	\$38,000	\$10,290+50%	\$32,000
\$38,000	\$44,000	\$13,290+55%	\$38,000
\$44,000	\$50,000	\$16,590+60%	\$44,000
\$50,000	\$60,000	\$20,190+62%	\$50,000
\$60,000	\$70,000	\$26,390+64%	\$60,000
\$70,000	\$80,000	\$32,790+66%	\$70,000
\$80,000	\$90,000	\$39,390+68%	\$80,000
\$90,000	\$100,000	\$46,190+69%	\$90,000
\$100,000		\$53,090+70%	\$100,000

SCHEDULE Y—Married Taxpayers and Certain Widows and Widowers

Married Filing Joint Returns and Certain Widows and Widowers

If the amount on line 4, Estimated Tax Worksheet, is: Enter on line 5, Estimated Tax Worksheet:

Not over \$1,000...14% of the amount on line 4.

Over—	But not over—		of excess over—
\$1,000	\$2,000	\$140+15%	\$1,000
\$2,000	\$3,000	\$290+16%	\$2,000
\$3,000	\$4,000	\$450+17%	\$3,000
\$4,000	\$8,000	\$620+19%	\$4,000
\$8,000	\$12,000	\$1,380+22%	\$8,000
\$12,000	\$16,000	\$2,260+25%	\$12,000
\$16,000	\$20,000	\$3,260+28%	\$16,000
\$20,000	\$24,000	\$4,380+32%	\$20,000
\$24,000	\$28,000	\$5,660+36%	\$24,000
\$28,000	\$32,000	\$7,100+39%	\$28,000
\$32,000	\$36,000	\$8,660+42%	\$32,000
\$36,000	\$40,000	\$10,340+45%	\$36,000
\$40,000	\$44,000	\$12,140+48%	\$40,000
\$44,000	\$52,000	\$14,060+50%	\$44,000
\$52,000	\$64,000	\$18,060+53%	\$52,000
\$64,000	\$76,000	\$24,420+55%	\$64,000
\$76,000	\$88,000	\$31,020+58%	\$76,000
\$88,000	\$100,000	\$37,980+60%	\$88,000
\$100,000	\$120,000	\$45,180+62%	\$100,000
\$120,000	\$140,000	\$57,580+64%	\$120,000
\$140,000	\$160,000	\$70,380+66%	\$140,000
\$160,000	\$180,000	\$83,580+68%	\$160,000
\$180,000	\$200,000	\$97,180+69%	\$180,000
\$200,000		\$110,980+70%	\$200,000

Married Filing Separate Returns

If the amount on line 4, Estimated Tax Worksheet, is: Enter on line 5, Estimated Tax Worksheet:

Not over \$500....14% of the amount on line 4.

Over—	But not over—		of excess over—
\$500	\$1,000	\$70+15%	\$500
\$1,000	\$1,500	\$145+16%	\$1,000
\$1,500	\$2,000	\$225+17%	\$1,500
\$2,000	\$4,000	\$310+19%	\$2,000
\$4,000	\$6,000	\$690+22%	\$4,000
\$6,000	\$8,000	\$1,130+25%	\$6,000
\$8,000	\$10,000	\$1,630+28%	\$8,000
\$10,000	\$12,000	\$2,190+32%	\$10,000
\$12,000	\$14,000	\$2,830+36%	\$12,000
\$14,000	\$16,000	\$3,550+39%	\$14,000
\$16,000	\$18,000	\$4,330+42%	\$16,000
\$18,000	\$20,000	\$5,170+45%	\$18,000
\$20,000	\$22,000	\$6,070+48%	\$20,000
\$22,000	\$26,000	\$7,030+50%	\$22,000
\$26,000	\$32,000	\$9,030+53%	\$26,000
\$32,000	\$38,000	\$12,210+55%	\$32,000
\$38,000	\$44,000	\$15,510+58%	\$38,000
\$44,000	\$50,000	\$18,990+60%	\$44,000
\$50,000	\$60,000	\$22,590+62%	\$50,000
\$60,000	\$70,000	\$28,790+64%	\$60,000
\$70,000	\$80,000	\$35,190+66%	\$70,000
\$80,000	\$90,000	\$41,790+68%	\$80,000
\$90,000	\$100,000	\$48,590+69%	\$90,000
\$100,000		\$55,490+70%	\$100,000

Schedule Z—Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household

If the amount on line 4, Estimated Tax Worksheet, is: Enter on line 5, Estimated Tax Worksheet:

Not over \$1,000...14% of the amount on line 4.

Over—	But not over—		of excess over—
\$1,000	\$2,000	\$140+16%	\$1,000
\$2,000	\$4,000	\$300+18%	\$2,000
\$4,000	\$6,000	\$660+19%	\$4,000
\$6,000	\$8,000	\$1,040+22%	\$6,000
\$8,000	\$10,000	\$1,480+23%	\$8,000
\$10,000	\$12,000	\$1,940+25%	\$10,000
\$12,000	\$14,000	\$2,440+27%	\$12,000
\$14,000	\$16,000	\$2,980+28%	\$14,000
\$16,000	\$18,000	\$3,540+31%	\$16,000
\$18,000	\$20,000	\$4,160+32%	\$18,000
\$20,000	\$22,000	\$4,800+35%	\$20,000
\$22,000	\$24,000	\$5,500+36%	\$22,000
\$24,000	\$26,000	\$6,220+38%	\$24,000
\$26,000	\$28,000	\$6,980+41%	\$26,000
\$28,000	\$32,000	\$7,800+42%	\$28,000
\$32,000	\$36,000	\$9,480+45%	\$32,000
\$36,000	\$38,000	\$11,280+48%	\$36,000
\$38,000	\$40,000	\$12,240+51%	\$38,000
\$40,000	\$44,000	\$13,260+52%	\$40,000
\$44,000	\$50,000	\$15,340+55%	\$44,000
\$50,000	\$52,000	\$18,640+56%	\$50,000
\$52,000	\$64,000	\$19,760+58%	\$52,000
\$64,000	\$70,000	\$26,720+59%	\$64,000
\$70,000	\$76,000	\$30,260+61%	\$70,000
\$76,000	\$80,000	\$33,920+62%	\$76,000
\$80,000	\$88,000	\$36,400+63%	\$80,000
\$88,000	\$100,000	\$41,440+64%	\$88,000
\$100,000	\$120,000	\$49,120+66%	\$100,000
\$120,000	\$140,000	\$62,320+67%	\$120,000
\$140,000	\$160,000	\$75,720+68%	\$140,000
\$160,000	\$180,000	\$89,320+69%	\$160,000
\$180,000		\$103,120+70%	\$180,000

$$(.17)(4792) = 135$$

$$135 + 450 = 585$$

D. Sample Return No. 2B (1975-B). The Transition Year

1. The difference from 2A

- a. for Return 2A, the assumption was made that Dr. Nocular and family had rented their residence until after the move to the new location at which time they purchased a residence
- b. for Return 2B, the assumption was made that
 - 1) Dr. Nocular and family had owned a residence, which they sold during the moving process
 - 2) the sale of the residence produced a net gain of \$163.00
 - 3) since withholding would be greater than the final tax bill, Dr. Nocular elected to pay tax on the gain rather than defer the tax until a later date
 - 4) the cost of the new residence is reported and the basis established for future reference
- c. the effect of this difference should be traced through its effect on Schedule A, and Form 1040 in terms of the differences produced and the amount of tax actually paid on the \$163.00 gain. Also, it should be noted that the \$163.00 gain must be reported on a Schedule D. (see the following table)

Return	2A	2B
Schedule A		
Medical	204	201
Total	2643	2640
AGI	9435	9516
TI	3792	3876
Tax	585	599

Tax differential \$14.00 on \$163.00 of income

- d. the tax is paid on the gain at a time when the tax is computed at a low rate as compared to the potentially higher rate in a few years
2. All other forms and schedules (Schedule C, Schedule SE, W-2 forms, Forms 2441, 3903, and 1040ES) are all the same as Return 2A

Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	1680	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29	81	-
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8)	35	47	-
36 Alimony received	36		
37 Other (state nature and source) ▶	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	1808	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40	718	-
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43	718	-

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	9516	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A } (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	2640	-
46 Subtract line 45 from line 44	46	6876	-
47 Multiply total number of exemptions claimed on line 7, by \$750	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	3876	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50		
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54		

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	134	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	134	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign Accounts Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? ☐ Yes ☐ No

If "Yes," attach Form 4683. (For definitions, see Form 4683.)

Moving Expense Adjustment

► Attach to Form 1040.

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1040

Name(s) as shown on Form 1040

Nocular, Bruce I and Mary O.

Social security number

736 42 5301

- (a) What is the distance from your former residence to your new business location? *450* miles
(b) What is the distance from your former residence to your former business location? *1* miles

Note: The moving expense deduction is not allowed unless distance (a) is 50 or more miles farther than distance (b). (See instruction A.)

1 Transportation expenses to move household goods and personal effects		<i>240</i>
2 Travel, meals, and lodging expenses to move from former residence to new place of residence		<i>62</i>
3 Pre-move travel, meals, and lodging expenses to search for a new residence after obtaining employment	<i>189</i>	
4 Temporary living expenses in new location (or area) during any period of 30 consecutive days after obtaining employment	<i>227</i>	
5 Total (Add lines 3 and 4.)	<i>416</i>	
6 Enter lesser of the amount on line 5 or \$1,000 (\$500 if married, filing a separate return, and you resided with your spouse who also started work during the taxable year)		<i>416</i>
7 Expenses incident to: (Check one.) (a) <input type="checkbox"/> sale or exchange of taxpayer's former residence; or, (b) <input type="checkbox"/> if nonowner, settlement of an unexpired lease on former residence		<i>0</i>
8 Expenses incident to: (Check one.) (a) <input type="checkbox"/> purchase of a new residence; or, (b) <input type="checkbox"/> if renting, acquiring a new lease		<i>0</i>
9 Total (Add lines 6, 7, and 8.)		<i>416</i>
Note: If you use expenses of selling your old residence (line 7(a)) or purchasing a new residence (line 8(a)) as part of your moving expense and line 9 exceeds \$2,500 (\$1,250 if married, filing a separate return, and you resided with your spouse who also started to work during the taxable year), you may apply the excess as a reduction in the amount shown on line 7(a) and/or 8(a) and consider such reduction as a decrease in the realized gain on the sale of your residence or as an increase in the basis of your new residence or both.		
10 Enter lesser of the amount on line 9 or \$2,500 (\$1,250 if married, filing a separate return and you resided with your spouse who also started to work during the taxable year). (See instruction C(2).)		<i>416</i>
11 Total moving expenses (Add lines 1, 2, and 10.)		<i>718</i>
12 Reimbursements and allowances received for this move (other than amounts included on Form W-2) (See instruction L.)		<i>0</i>
13 If line 12 is less than line 11, enter the excess expenses here and on line 40, Form 1040		<i>718</i>
14 If line 12 is larger than line 11, enter the excess reimbursements and allowances here and on Form 1040, line 37, as "Excess moving reimbursement"		<i>—</i>

Instructions

A. Who May Deduct Moving Expenses.—An employee or self-employed individual may deduct reasonable moving expenses paid or incurred during the taxable year in connection with his move to a new principal place of work.

The deduction is allowed only if (a) the change in job locations has added at least 50 miles to the distance to work from the old residence, or (b) if there was no former principal place of work,

the new principal place of work is at least 50 miles from the former residence. The distance between two points shall be the shortest of the more commonly traveled routes between the two points.

Also, the deduction is allowed only if either (a) during the 12-month period immediately following arrival in the general location of the new principal place of work the taxpayer is a full-time employee during at least 39 weeks, or (b)

during the 24-month period immediately following arrival in the general location of the new principal place of work, the taxpayer is a full-time employee or is self-employed on a full-time basis during at least 78 weeks of which not less than 39 weeks are during the 12-month period following arrival.

B. The 39 Week/78 Week Test.—The 39 week/78 week test referred to in instruction A may be disregarded if it is

(Continued on back)

Capital Gains and Losses

▶ Attach to Form 1040. ▶ Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.

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1975B

197

Name(s) as shown on Form 1040

Nocular, Bruce T and Mary O.

Social security number

736 42 5301

Part I Short-term Capital Gains and Losses—Assets Held Not More Than 6 Months

D

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. How acquired. Enter letter symbol (see instruction D)	c. Mo., day, yr. (Put date sold above dotted line and date acquired below dotted line)	d. Gross sales price	e. Cost or other basis, as adjusted (see instruction E) and expense of sale	f. Gain or (loss) (d less e)
1					
2	Enter your share of net short-term gain or (loss) from partnerships and fiduciaries				2
3	Enter net gain or (loss), combine lines 1 and 2				3
4(a)	Short-term capital loss component carryover from years beginning before 1970 (see instruction H)				4(a)
4(b)	Short-term capital loss carryover attributable to years beginning after 1969 (see instruction H)				4(b)
5	Net short-term gain or (loss), combine lines 3, 4(a) and 4(b)				5

Part II Long-term Capital Gains and Losses—Assets Held More Than 6 Months

6	<i>Sale of Residence</i>	<i>A</i>	<i>7/30/75</i> <i>8/15/71</i>	<i>20,500</i>	<i>1736</i>	<i>163</i>	<i>-</i>
7	Capital gain distributions						7
8	Enter gain, if applicable, from line 4(a)(1), Form 4797 (see instruction A)						8
9	Enter your share of net long-term gain or (loss) from partnerships and fiduciaries						9
10	Enter your share of net long-term gain from small business corporations (Subchapter S).						10
11	Net gain or (loss), combine lines 6 through 10						11
12(a)	Long-term capital loss component carryover from years beginning before 1970 (see instruction H)						12(a)
12(b)	Long-term capital loss carryover attributable to years beginning after 1969 (see instruction H)						12(b)
13	Net long-term gain or (loss), combine lines 11, 12(a) and 12(b)						13

Part III Summary of Parts I and II

14	Combine the amounts shown on lines 5 and 13, and enter the net gain or loss here	14	<i>163</i>	<i>-</i>
15	If line 14 shows a gain—			
	(a) Enter 50% of line 13 or 50% of line 14, whichever is smaller (see Part VI for computation of alternative tax). Enter zero if there is a loss or no entry on line 13.	15(a)	<i>82</i>	<i>-</i>
	(b) Subtract line 15(a) from line 14. Enter here and on line 29, Form 1040.	15(b)	<i>81</i>	
16	If line 14 shows a loss—			
	▶ Omit lines 16(a) and 16(b) and go to Part IV if losses are shown on BOTH lines 12(a) and 13. See instruction I.			
	▶ Otherwise,			
	(a) Enter one of the following amounts:			
	(i) If amount on line 5 is zero or a net gain, enter 50% of amount on line 14;			
	(ii) If amount on line 13 is zero or a net gain, enter amount on line 14; or,			
	(iii) If amounts on line 5 and line 13 are net losses, enter amount on line 5 added to 50% of amount on line 13.	16(a)		
	(b) Enter here and enter as a (loss) on line 29, Form 1040, the smallest of:			
	(i) The amount on line 16(a);			
	(ii) \$1,000 (\$500 if married and filing a separate return—if a loss is shown on line 4(a) or 12(a), see instruction M for a higher limit not to exceed \$1,000); or,			
	(iii) Taxable income, as adjusted (see instruction L)	16(b)		

SCHEDULE A
(Form 1040)
Department of the Treasury
Internal Revenue Service

Itemized Deductions

▶ Attach to Form 1040.

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Name(s) as shown on Form 1040

Nocular, Bruce I. and Mary O.

Your social security number

736 42 5301

Medical and Dental Expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

1 One half (but not more than \$150) of insurance premiums for medical care. (Be sure to include in line 10 below)	<u>147</u>	-
2 Medicine and drugs	<u>84</u>	-
3 Enter 1% of line 15, Form 1040	<u>95</u>	-
4 Subtract line 3 from line 2. Enter difference (if less than zero, enter zero)	<u>0</u>	-
5 Enter balance of insurance premiums for medical care not entered on line 1	<u>147</u>	-
6 Enter other medical and dental expenses:		
a Doctors, dentists, etc.	<u>103</u>	-
b Hospitals	<u>40</u>	-
c Other (Itemize—include hearing aids, dentures, eyeglasses, transportation, etc.) ▶		
<u>eyeglasses</u>	<u>50</u>	-
7 Total (add lines 4, 5, 6a, b, and c)	<u>340</u>	-
8 Enter 3% of line 15, Form 1040	<u>286</u>	-
9 Subtract line 8 from line 7 (if less than zero, enter zero)	<u>54</u>	-
10 Total (add lines 1 and 9). Enter here and on line 35 ▶	<u>201</u>	-

Taxes

11 State and local income	<u>496</u>	-
12 Real estate	<u>425</u>	-
13 State and local gasoline (see gas tax tables)	<u>40</u>	-
14 General sales (see sales tax tables)		
15 Personal property		
16 Other (Itemize) ▶		
17 Total (add lines 11, 12, 13, 14, 15, and 16). Enter here and on line 36 ▶	<u>961</u>	-

Interest Expense

18 Home mortgage	<u>500</u>	-
19 Other (Itemize) ▶		
<u>Bankamericard</u>	<u>12</u>	-
<u>J. C. Penney</u>	<u>17</u>	-
<u>Arco</u>	<u>7</u>	-
20 Total (add lines 18 and 19). Enter here and on line 37 ▶	<u>536</u>	-

Contributions (See instructions on page 11 for examples.)

21 a Cash contributions for which you have receipts, cancelled checks, etc.		
b Other cash contributions. List donees and amounts. ▶		
<u>Church</u>	<u>300</u>	-
<u>Boy Scouts</u>	<u>5</u>	-
<u>Girl Scouts</u>	<u>5</u>	-
<u>UGN</u>	<u>5</u>	-
<u>Cancer</u>	<u>5</u>	-
<u>UNICEF</u>	<u>10</u>	-
22 Other than cash (see instructions on page 12 for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a, b, 22, and 23). Enter here and on line 38 ▶	<u>345</u>	-

Casualty or Theft Loss(es) (See instructions on page 12.)

Note: If you had more than one loss, omit lines 25 through 28 and see instructions on page 12 for guidance.

25 Loss before insurance reimbursement		
26 Insurance reimbursement		
27 Subtract line 26 from line 25. Enter difference (if less than zero, enter zero)		
28 Enter \$100 or amount on line 27, whichever is smaller		
29 Casualty or theft loss (subtract line 28 from line 27). Enter here and on line 39 ▶		

Miscellaneous Deductions (See instructions on page 12.)

30 Alimony paid		
31 Union dues	<u>35</u>	-
32 Expenses for child and dependent care services (attach Form 2441)	<u>450</u>	-
33 Other (Itemize) ▶		
<u>Uniforms and Maint</u>	<u>85</u>	-
<u>Safety boots</u>	<u>27</u>	-
34 Total (add lines 30, 31, 32, and 33). Enter here and on line 40 ▶	<u>597</u>	-

Summary of Itemized Deductions

35 Total medical and dental—line 10	<u>201</u>	-
36 Total taxes—line 17	<u>961</u>	-
37 Total interest—line 20	<u>536</u>	-
38 Total contributions—line 24	<u>345</u>	-
39 Casualty or theft loss(es)—line 29		
40 Total miscellaneous—line 34	<u>597</u>	-
41 Total deductions (add lines 35, 36, 37, 38, 39, and 40). Enter here and on Form 1040, line 45 ▶	<u>2640</u>	-

Sale or Exchange of Personal Residence

➤ Attach to Form 1040.

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Taxable year

1975-B

Note: Do not include expenses which are deductible as moving expenses on Form 3903.

Name(s) as shown on Form 1040

Nocular, Bruce I and Mary O.

Your Social Security Number

736 42 5301

1. Date former residence sold 7/30/75	f. If you were married, do you and your wife (husband) have the same proportionate ownership interest in your new residence as you had in your old residence? (If "No," see the Consent on other side.)	Yes	No
2a. Date new residence bought 12/15/75		X	
b. If new residence was constructed for you, date construction began 12/20/75	3a. Were you 65 or older on date of sale? (If you answered "Yes," see Note below.)		X
c. Date you occupied new residence	b. If you answered "Yes" to 3a, did you use the property sold as your principal residence for a total of at least 5 years (except for short temporary absences) during the 8-year period preceding the sale?		
d. Were both the old and new properties used as your principal residence?		Yes	No
e. Were any rooms in either residence rented or used for business purposes at any time? (If "Yes," explain on separate sheet and attach.)	c. If you answered "Yes" to 3b, do you wish to elect to exclude gain on the sale from your gross income?	X	

Computation of Gain and Adjusted Sale Price

4. Selling price of residence (do not include selling price of personal property items)	20500
5. Less: Commissions and other expenses of sale (from Schedule I on other side)	1573
6. Amount realized	18927
7. Less: Basis of residence sold (from Schedule II on other side)	18764
8. Gain on sale (line 6 less line 7). If line 7 is more than line 6, there is no gain; and no further entries should be made on this form	163
9. Fixing-up expenses (from Schedule III on other side)	117
10. Adjusted sales price (line 6 less line 9)	18810

If you answered "No" to question 3a or 3c, complete only lines 11 through 14.

If you answered "Yes" to question 3c, complete lines 15 through 17, or 15 through 20, whichever is applicable.

Computation of Gain to be Reported and Adjusted Basis of New Residence—General Rule

11. Cost of new residence	18500
12. Gain taxable this year (line 10 less line 11, but not more than line 8). If line 11 is more than line 10, enter zero. Enter here and in column f, line 1, or line 6, Schedule D (Form 1040), whichever is applicable	163
13. Gain on which tax to be deferred (line 8 less line 12)	0
14. Adjusted basis of new residence (line 11 less line 13)	18500

Computation of Exclusion, Gain to be Reported and Adjusted Basis of New Residence—Special Rule (For use of taxpayers 65 years of age or over who checked "Yes," in 3(c) above.)

15. If line 10 above is \$20,000 or less, the entire gain shown on line 8 is excludable from gross income. If line 10 is over \$20,000, determine the portion of the gain excludable as follows:	
a. Divide amount on line 10 into \$20,000	
b. Portion of gain excludable (multiply amount on line 8 by figure on line 15a) enter result here	
16. Portion of gain not excludable (line 8 less line 15b)	
17. Cost of new residence. If a new personal residence was not purchased, enter "None," and do not complete the following lines. The amount shown on line 16 should then be entered in column f, line 6, Schedule D (Form 1040)	
18. Gain taxable this year (line 10 less lines 15b and 17, but not more than line 16). If line 17 plus line 15b is more than line 10, enter zero. Enter here and in column f, line 6, Schedule D (Form 1040)	
19. Gain on which tax to be deferred (line 16 less line 18)	
20. Adjusted basis of new residence (line 17 less line 19)	

Note: Special provision available if you were 65 or older on the date of the sale or exchange of your principal residence. If you met the age requirement and owned and used the residence disposed of as your principal residence for a total of 5 years out of the 8 years preceding the sale, you may elect to exclude

part or all of the gain from such sale. If a joint return is filed only the husband or wife need meet the age requirement. You are only eligible for the exclusion once. This is true regardless of your marital status at the time the election is made.

Consent of Husband and Wife to Apply Separate Gain on Sale of Old Residence to Basis of New Residence

Note: The following Consent need not be completed if there was no gain on the sale of the old residence. If, however, there was a gain, and if the ownership interests of the husband and wife in the old and new residences were not in the same proportion, the separate gain on the sale of the old residence will be separately taxable to the husband or wife unless this Consent is filed.

	Husband's portion	Wife's portion
Adjusted sales price of old residence (from line 10)	\$ 8750	\$ 8750
Cost of new residence (from line 11 or 17)	\$	\$

The undersigned taxpayers, husband and wife, consent to have the basis of the joint or separate interest in the new residence reduced by the amount of the joint or separate gain on the sale of the old residence which is not taxable solely by reason of the filing of this Consent.

Signature of husband	Date
Signature of wife	Date

SCHEDULE I—Commissions and Other Expenses of Sale (Line 5)

This includes sales commissions, advertising expenses, attorney and legal fees, etc., incurred to effect the sale of the old residence. Enter the name and address of the payee and the date of payment for each item.

Item explanation	Amount
Sales Costs Big Deal Realty Co. 7/30/75	\$ 1573

SCHEDULE II—Basis of Old Residence (Line 7)

This includes the original cost of the property to the taxpayer, commissions, and other expenses incurred in its purchase, the cost of improvements, etc., less the total of the depreciation allowed or allowable (if any), all casualty losses previously allowed (if any), and the nontaxable gain (if any) on the sale or exchange of a previous personal residence.

Item explanation	Amount
Purchase Price	\$ 17,500
Purchase Costs	195
Cost of Improvements	1,069
	<u>18764</u>

SCHEDULE III—Fixing-up Expenses (Line 9)

These are decorating and repair expenses which were incurred solely to assist in the sale of the old property, and which are not ordinarily deductible in computing taxable income nor taken into account in computing the basis of the old residence or the amount realized from its sale. Fixing-up expenses must have been incurred for work performed within 90 days before the contract to sell was signed, and must have been paid for not later than 30 days after the sale.

Item explanation	Date work performed	Date paid	Amount
Electrical	6/20/75	6/20/75	\$ 8
Paint	6/17/75	6/17/75	57
Plumbing	5/20/75	5/30/75	38
Window Glass	5/14/75	5/15/75	14

Last Name NocularAddress 1775 Poverty Place
City Forest Grove State ORDate of purchase 8/14/71
Date of sale 7/30/75

TOTALS			
PURCHASE PRICE			17,500
Additional Purchase Costs		Do not include amounts deducted as INDIRECT MOVING EXPENSES IN PRIOR YEARS	
Completing Documents		Reconveyance Fee	5
Credit Report	25	Recording of Documents	5
Demand Process. Fee		Tax Service	
Escrow Fee	95	Termite Investigation	
Forwarding Fee		Termite Report	
Insurance Endors. Fee		Title Policy	25
Legal Fee			
Loan Fee	35		
Loan Tie in Fee			
Notary Fee	5		
Realtor's Commission			
TOTAL ADDITIONAL PURCHASE COST			195
Improvement Cost		← Cost \$429 ⁰⁰ - Depr. 5/2 10yrs Cost \$650 ⁰⁰ - Depr 5/2 10yrs Fair Market Value or Cost (whichever is less) of items sold with home (not included elsewhere). Example: Refrigerator, Furniture, etc. Cost \$185 - Depr. 5/2 5yrs	
Air Conditioner	6/15/72 300		
Assessments			
Awnings			
Carpeting (FMV)	8/25/72 455		
Drapes (FMV)	8/25/72 74		
Electrical			
Fence		Plumbing	
Fixtures		Remodeling	
Floor Improvements		Roof Improvements	
Garage		220 Volt Line (stove)	
Garbage Disposal		Walks	105
Heater		Wall Paper	
Insulation		Water Softener	
Landscaping	135		
Patio			
TOTAL IMPROVEMENT COST			1069
Sales Costs		Do not include amounts deducted as INDIRECT MOVING EXPENSES THIS YEAR	
Completing Documents		Realtor's Commission	1353
Credit Report		Reconveyance Fee	5
Demand Process. Fee		Recording of Documents	5
Escrow Fee	95	Stamp Tax	
Forwarding Fee	15	Tax Service	10
Insurance Endors. Fee		Termite Investigation	
Legal Fee		Termite Report	35
Loan Fee		Title Policy	25
Loan Tie in Fee		Appraisal Fee	25
Notary Fee	5		
TOTAL SALES COST			1573
Total Sales and Purchase Costs			2837
TOTAL COSTS			20337

Non-Capital Fix-Up Costs within last 90 days (to be computed for adjusted sales price only)

Electrical	8		
Paint	57		
Plumbing	38		
Window and Screen	14		

TOTAL FIX-UP COSTS

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E. Sample Return No. 2C (1975-C). The Transition Year

1. The difference from 2B

- a. for Return 2B, several assumptions were made concerning the sale of a residence resulting in a small gain
- b. for Return 2C, the same residence is sold at \$18,500, \$1000 more than was paid for it. When the other factors, cost of purchase, cost of improvements, and cost of sale are considered in Form 2119, it is apparent that a significant loss was sustained on the transaction
- c. since losses on personal residences are not allowed as part of the Gross Income determination, Dr. Nocular decided to use the allowable portion of Form 2119, the Schedule I as deductions on the Moving Adjustment Expense, Form 3903
- d. the differences should be traced through its effect on Form 3903, Form 1040, Schedule A. The following table summarizes these differences

Return	2B	2C
Moving Expense	718	2291
Schedule A		
Medical	201	259
Total	2640	2690
GI	10234	10081
AGI	9516	7790
TI	3876	2100
Tax	599	317

- e. if Dr. Nocular had not used the Schedule I, Form 2119 amount as a deduction on the Moving Expense Adjustment, the outcome (the final tax) would have been the same as Return 2A
- f. the loss on the sale of the residence amounted to

$$\begin{aligned} &\text{Sale Price} - (\text{Basis} + \text{Sales Costs}) \\ &18,500 - (18,764 + 1573) = (1837) \end{aligned}$$

The tax saving on return 2C was

$$\begin{aligned} &\text{Return 2A tax} - \text{Return 2C tax} \\ &585 - 317 = 268 \text{ or } 14.5\% \text{ of the loss} \end{aligned}$$

- g. in the final analysis the loss was \$1569. At least some of the loss was recovered by using some of the Schedule I, Form 2119 on the Moving Form

Other
Dependent

(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
				\$	\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	1680	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29		
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8).	35	47	-
36 Alimony received	36		
37 Other (state nature and source)	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	1727	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40	2291	-
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43	2291	-

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	7862	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	2695	-
46 Subtract line 45 from line 44	46	5167	-
47 Multiply total number of exemptions claimed on line 7, by \$750	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	2167	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50		
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54		

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	134	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	134	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign
Accounts

Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?

If "Yes," attach Form 4683. (For definitions, see Form 4683.)

☐ Yes ☐ No

SCHEDULE A
(Form 1040)
Department of the Treasury
Internal Revenue Service

Itemized Deductions

▶ Attach to Form 1040.

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1975-C

19

Name(s) as shown on Form 1040

Nocular, Bruce I. and Mary O.

Your social security number

736 42 5301

Medical and Dental Expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

1 One half (but not more than \$150) of insurance premiums for medical care. (Be sure to include in line 10 below)	<i>147</i>	-
2 Medicine and drugs	<i>84</i>	-
3 Enter 1% of line 15, Form 1040	<i>79</i>	-
4 Subtract line 3 from line 2. Enter difference (if less than zero, enter zero)	<i>5</i>	-
5 Enter balance of insurance premiums for medical care not entered on line 1	<i>147</i>	-
6 Enter other medical and dental expenses:		
a Doctors, dentists, etc.	<i>103</i>	-
b Hospitals	<i>40</i>	-
c Other (Itemize—include hearing aids, dentures, eyeglasses, transportation, etc.) ▶	<i>50</i>	-
	<i>eyeglasses</i>	
7 Total (add lines 4, 5, 6a, b, and c)	<i>345</i>	-
8 Enter 3% of line 15, Form 1040	<i>236</i>	-
9 Subtract line 8 from line 7 (if less than zero, enter zero)	<i>109</i>	-
10 Total (add lines 1 and 9). Enter here and on line 35	<i>256</i>	-

Taxes

11 State and local income	<i>496</i>	-
12 Real estate	<i>425</i>	-
13 State and local gasoline (see gas tax tables)	<i>40</i>	-
14 General sales (see sales tax tables)		
15 Personal property		
16 Other (Itemize) ▶		
17 Total (add lines 11, 12, 13, 14, 15, and 16). Enter here and on line 36	<i>961</i>	-

Interest Expense

18 Home mortgage	<i>500</i>	-
19 Other (Itemize) ▶		
<i>Bank Americard</i>	<i>12</i>	-
<i>J.C. Penney</i>	<i>17</i>	-
<i>Arco</i>	<i>7</i>	-
20 Total (add lines 18 and 19). Enter here and on line 37	<i>536</i>	-

Contributions (See instructions on page 11 for examples.)

21 a Cash contributions for which you have receipts, cancelled checks, etc.		
b Other cash contributions. List donees and amounts. ▶		
<i>Church</i>	<i>300</i>	-
<i>Boy Scouts</i>	<i>5</i>	-
<i>Girl Scouts</i>	<i>5</i>	-
<i>UGN</i>	<i>5</i>	-
<i>Cancer</i>	<i>5</i>	-
<i>UNICEF</i>	<i>10</i>	-
22 Other than cash (see instructions on page 12 for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a, b, 22, and 23). Enter here and on line 38	<i>345</i>	-

Casualty or Theft Loss(es) (See instructions on page 12.)

Note: If you had more than one loss, omit lines 25 through 28 and see instructions on page 12 for guidance.

25 Loss before insurance reimbursement		
26 Insurance reimbursement		
27 Subtract line 26 from line 25. Enter difference (if less than zero, enter zero)		
28 Enter \$100 or amount on line 27, whichever is smaller		
29 Casualty or theft loss (subtract line 28 from line 27). Enter here and on line 39		

Miscellaneous Deductions (See instructions on page 12.)

30 Alimony paid		
31 Union dues	<i>35</i>	-
32 Expenses for child and dependent care services (attach Form 2441)	<i>450</i>	-
33 Other (Itemize) ▶		
<i>Uniforms + Maint</i>	<i>85</i>	-
<i>Safety Boots</i>	<i>27</i>	-
34 Total (add lines 30, 31, 32, and 33). Enter here and on line 40	<i>597</i>	-

Summary of Itemized Deductions

35 Total medical and dental—line 10	<i>256</i>	-
36 Total taxes—line 17	<i>961</i>	-
37 Total interest—line 20	<i>536</i>	-
38 Total contributions—line 24	<i>345</i>	-
39 Casualty or theft loss(es)—line 29		
40 Total miscellaneous—line 34	<i>597</i>	-
41 Total deductions (add lines 35, 36, 37, 38, 39, and 40). Enter here and on Form 1040, line 45	<i>2695</i>	-

Moving Expense Adjustment

► Attach to Form 1040.

155

1975-C

Name(s) as shown on Form 1040

Social security number

Nocular, Bruce I. and Mary O.

736 42 5301

- (a) What is the distance from your former residence to your new business location? miles
(b) What is the distance from your former residence to your former business location? miles

Note: The moving expense deduction is not allowed unless distance (a) is 50 or more miles farther than distance (b). (See instruction A.)

1 Transportation expenses to move household goods and personal effects	240
2 Travel, meals, and lodging expenses to move from former residence to new place of residence	62
3 Pre-move travel, meals, and lodging expenses to search for a new residence after obtaining employment	189
4 Temporary living expenses in new location (or area) during any period of 30 consecutive days after obtaining employment	227
5 Total (Add lines 3 and 4.)	416
6 Enter lesser of the amount on line 5 or \$1,000 (\$500 if married, filing a separate return, and you resided with your spouse who also started work during the taxable year)	416
7 Expenses incident to: (Check one.) (a) <input checked="" type="checkbox"/> sale or exchange of taxpayer's former residence; or, (b) <input type="checkbox"/> if nonowner, settlement of an unexpired lease on former residence	1573
8 Expenses incident to: (Check one.) (a) <input type="checkbox"/> purchase of a new residence; or, (b) <input type="checkbox"/> if renting, acquiring a new lease	
9 Total (Add lines 6, 7, and 8.)	1989
Note: If you use expenses of selling your old residence (line 7(a)) or purchasing a new residence (line 8(a)) as part of your moving expense and line 9 exceeds \$2,500 (\$1,250 if married, filing a separate return, and you resided with your spouse who also started to work during the taxable year), you may apply the excess as a reduction in the amount shown on line 7(a) and/or 8(a) and consider such reduction as a decrease in the realized gain on the sale of your residence or as an increase in the basis of your new residence or both.	
10 Enter lesser of the amount on line 9 or \$2,500 (\$1,250 if married, filing a separate return and you resided with your spouse who also started to work during the taxable year). (See instruction C(2).)	1989
11 Total moving expenses (Add lines 1, 2, and 10.)	2291
12 Reimbursements and allowances received for this move (other than amounts included on Form W-2) (See instruction L.)	
13 If line 12 is less than line 11, enter the excess expenses here and on line 40, Form 1040	2291
14 If line 12 is larger than line 11, enter the excess reimbursements and allowances here and on Form 1040, line 37, as "Excess moving reimbursement"	

Instructions

A. Who May Deduct Moving Expenses.—An employee or self-employed individual may deduct reasonable moving expenses paid or incurred during the taxable year in connection with his move to a new principal place of work.

The deduction is allowed only if (a) the change in job locations has added at least 50 miles to the distance to work from the old residence, or (b) if there was no former principal place of work,

the new principal place of work is at least 50 miles from the former residence. The distance between two points shall be the shortest of the more commonly traveled routes between the two points.

Also, the deduction is allowed only if either (a) during the 12-month period immediately following arrival in the general location of the new principal place of work the taxpayer is a full-time employee during at least 39 weeks, or (b)

during the 24-month period immediately following arrival in the general location of the new principal place of work, the taxpayer is a full-time employee or is self-employed on a full-time basis during at least 78 weeks of which not less than 39 weeks are during the 12-month period following arrival.

B. The 39 Week/78 Week Test.—The 39 week/78 week test referred to in Instruction A may be disregarded if it is

(Continued on back)

Form **2119**
(Rev. Oct. 1971)
Department of the Treasury
Internal Revenue Service

Sale or Exchange of Personal Residence

▶ Attach to Form 1040.

Taxable year

Note: Do not include expenses which are deductible as moving expenses on Form 3903.

Name(s) as shown on Form 1040 <u>Nocular, Bruce I. and Mary O.</u>		Your Social Security Number <u>736 142 5301</u>	
1. Date former residence sold <u>7/30/75</u>	2. If you were married, do you and your wife (husband) have the same proportionate ownership interest in your new residence as you had in your old residence? (If "No," see the Consent on other side.)		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
2a. Date new residence bought <u>12/15/75</u>	3a. Were you 65 or older on date of sale? (If you answered "Yes," see Note below.)		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
b. If new residence was constructed for you, date construction began	b. If you answered "Yes" to 3a, did you use the property sold as your principal residence for a total of at least 5 years (except for short temporary absences) during the 8-year period preceding the sale?		Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Date you occupied new residence <u>12/20/75</u>	c. If you answered "Yes" to 3b, do you wish to elect to exclude gain on the sale from your gross income?		Yes <input type="checkbox"/> No <input type="checkbox"/>
d. Were both the old and new properties used as your principal residence?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
e. Were any rooms in either residence rented or used for business purposes at any time? (If "Yes," explain on separate sheet and attach.)	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		

Computation of Gain and Adjusted Sale Price

4. Selling price of residence (do not include selling price of personal property items)	<u>18,500</u>
5. Less: Commissions and other expenses of sale (from Schedule I on other side)	<u>0</u>
6. Amount realized	<u>18,500</u>
7. Less: Basis of residence sold (from Schedule II on other side)	<u>18,764</u>
8. Gain on sale (line 6 less line 7). If line 7 is more than line 6, there is no gain; and no further entries should be made on this form	<u>0</u>
9. Fixing-up expenses (from Schedule III on other side)	
10. Adjusted sales price (line 6 less line 9)	

If you answered "No" to question 3a or 3c, complete only lines 11 through 14.

If you answered "Yes" to question 3c, complete lines 15 through 17, or 15 through 20, whichever is applicable.

Computation of Gain to be Reported and Adjusted Basis of New Residence—General Rule

11. Cost of new residence	
12. Gain taxable this year (line 10 less line 11, but not more than line 8). If line 11 is more than line 10, enter zero. Enter here and in column f, line 1, or line 6, Schedule D (Form 1040), whichever is applicable	
13. Gain on which tax to be deferred (line 8 less line 12)	
14. Adjusted basis of new residence (line 11 less line 13)	

Computation of Exclusion, Gain to be Reported and Adjusted Basis of New Residence—Special Rule (For use of taxpayers 65 years of age or over who checked "Yes," in 3(c) above.)

15. If line 10 above is \$20,000 or less, the entire gain shown on line 8 is excludable from gross income. If line 10 is over \$20,000, determine the portion of the gain excludable as follows:	
a. Divide amount on line 10 into \$20,000	
b. Portion of gain excludable (multiply amount on line 8 by figure on line 15a) enter result here	
16. Portion of gain not excludable (line 8 less line 15b)	
17. Cost of new residence. If a new personal residence was not purchased, enter "None," and do not complete the following lines. The amount shown on line 16 should then be entered in column f, line 6, Schedule D (Form 1040)	
18. Gain taxable this year (line 10 less lines 15b and 17, but not more than line 16). If line 17 plus line 15b is more than line 10, enter zero. Enter here and in column f, line 6, Schedule D (Form 1040)	
19. Gain on which tax to be deferred (line 16 less line 18)	
20. Adjusted basis of new residence (line 17 less line 19)	

Note: Special provision available if you were 65 or older on the date of the sale or exchange of your principal residence. If you met the age requirement and owned and used the residence disposed of as your principal residence for a total of 5 years out of the 8 years preceding the sale, you may elect to exclude

part or all of the gain from such sale. If a joint return is filed only the husband or wife need meet the age requirement. You are only eligible for the exclusion once. This is true regardless of your marital status at the time the election is made.

Consent of Husband and Wife to Apply Separate Gain on Sale of Old Residence to Basis of New Residence

Note: The following Consent need not be completed if there was no gain on the sale of the old residence. If, however, there was a gain, and if the ownership interests of the husband and wife in the old and new residences were not in the same proportion, the separate gain on the sale of the old residence will be separately taxable to the husband or wife unless this Consent is filed.

	Husband's portion	Wife's portion
Adjusted sales price of old residence (from line 10)	\$ 8750	\$ 8750
Cost of new residence (from line 11 or 17)	\$	\$

The undersigned taxpayers, husband and wife, consent to have the basis of the joint or separate interest in the new residence reduced by the amount of the joint or separate gain on the sale of the old residence which is not taxable solely by reason of the filing of this Consent.

Signature of husband	Date
Signature of wife	Date

SCHEDULE I—Commissions and Other Expenses of Sale (Line 5)

This includes sales commissions, advertising expenses, attorney and legal fees, etc., incurred to effect the sale of the old residence. Enter the name and address of the payee and the date of payment for each item.

Item explanation	Amount
Sales Costs Big Deal Realty Co. 7/30/75	\$ 1573

SCHEDULE II—Basis of Old Residence (Line 7)

This includes the original cost of the property to the taxpayer, commissions, and other expenses incurred in its purchase, the cost of improvements, etc., less the total of the depreciation allowed or allowable (if any), all casualty losses previously allowed (if any), and the nontaxable gain (if any) on the sale or exchange of a previous personal residence.

Item explanation	Amount
Purchase Price	\$ 17,500
Purchase Costs	195
Cost of Improvements	1,069
	<u>18764</u>

SCHEDULE III—Fixing-up Expenses (Line 9)

These are decorating and repair expenses which were incurred solely to assist in the sale of the old property, and which are not ordinarily deductible in computing taxable income nor taken into account in computing the basis of the old residence or the amount realized from its sale. Fixing-up expenses must have been incurred for work performed within 90 days before the contract to sell was signed, and must have been paid for not later than 30 days after the sale.

Item explanation	Date work performed	Date paid	Amount
Electrical	6/20/75	6/20/75	\$ 8
Paint	6/17/75	6/17/75	57
Plumbing	5/20/75	5/30/75	38
Window Glass	5/14/75	5/15/75	14

Lost Name NocularAddress 1775 Poverty PlaceDate of purchase 8/14/71City Forest GroveState ORDate of sale 7/30/75

TOTALS

PURCHASE PRICE				17,500
Additional Purchase Costs		Do not include amounts deducted as INDIRECT MOVING EXPENSES IN PRIOR YEARS		
Completing Documents		Reconveyance Fee	5	
Credit Report	25	Recording of Documents	5	
Demand Process. Fee		Tax Service		
Escrow Fee	95	Termite Investigation		
Forwarding Fee		Termite Report		
Insurance Endors. Fee		Title Policy	25	
Legal Fee				
Loan Fee	35			
Loan Tie in Fee				
Notary Fee	5			
Realtor's Commission				
TOTAL ADDITIONAL PURCHASE COST				195
Improvement Cost		Cost \$1429 ⁰⁰ - Depr. 5/2 10yrs		
Air Conditioner 6/15/72	300	Cost \$650 ⁰⁰ - Depr 5/2 10yrs		
Assessments		Fair Market Value or Cost (whichever is less) of items sold with home (not included elsewhere).		
Awnings		Example: Refrigerator, Furniture, etc.		
Carpeting (FMV) 8/25/72	455	Cost \$185 - Depr. 5/2 5yrs		
Drapes (FMV) 8/25/72	74			
Electrical		Plumbing		
Fence		Remodeling		
Fixtures		Roof Improvements		
Floor Improvements		220 Volt Line (stove)		
Garage		Walks	105	
Garbage Disposal		Wall Paper		
Heater		Water Softener		
Insulation				
Landscaping	135			
Patio				
TOTAL IMPROVEMENT COST				1069
Sales Costs		Do not include amounts deducted as INDIRECT MOVING EXPENSES THIS YEAR		
Completing Documents		Realtor's Commission	1353	
Credit Report		Reconveyance Fee	5	
Demand Process. Fee		Recording of Documents	5	
Escrow Fee	95	Stamp Tax		
Forwarding Fee	15	Tax Service	10	
Insurance Endors. Fee		Termite Investigation		
Legal Fee		Termite Report	35	
Loan Fee		Title Policy	25	
Loan Tie in Fee		Appraisal Fee	25	
Notary Fee	5			
TOTAL SALES COST				1573
Total Sales and Purchase Costs 2837				TOTAL COSTS 20337

Non-Capital Fix-Up Costs within last 90 days (to be computed for adjusted sales price only)

Electrical	8	
Paint	57	
Plumbing	38	
Window and Screen	14	

F. Sample Return No. 3A (1976-A). The First Full Year

1. Introduction

- Dr. Nocular established his own practice soon after January 1, 1976
- the depreciable equipment purchased is itemized as required on the Form 4562
- the cost of small equipment items is taken on Line 19g of Schedule C

2. Important concepts

- the reader should work through the depreciation schedule and the investment credit form 3468
- note that all depreciation is computed on a straight line basis. Return 3C (1976C) will use a different method for comparison purposes
- as a general rule 10 percent of cost is used as the salvage value

1

Wage and Tax Statement

1976

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.				Employer's State identifying number		Copy A For Internal Revenue Service Center	
FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION			
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality	
1015	7200	421	7200				
EMPLOYEE'S social security number ▶				5 Uncollected employee FICA tax on tips	9 Tax withheld	10 Wages paid	11 State or locality
720-54-1746							
Mary O. Nocular				OTHER INFORMATION			STATUS
				Was employee covered by a qualified pension plan etc.?	Contribution to individual employee retirement account	Cost of group term life insurance included in box 2	Excludable sick pay included in box 2
				Yes <input type="checkbox"/> No <input type="checkbox"/>			1. Single 2. Married
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.			

Form W-2

☆ GPO: 1974-537-543 EI-36-2441915

Department of the Treasury—Internal Revenue Service

1

Wage and Tax Statement

1976

Type or print EMPLOYER'S Federal identifying number, name, address, and ZIP code above.				Employer's State identifying number		Copy A For Internal Revenue Service Center	
FEDERAL INCOME TAX INFORMATION		SOCIAL SECURITY INFORMATION		STATE OR LOCAL INCOME TAX INFORMATION			
1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages	6 Tax withheld	7 Wages paid	8 State or locality	
EMPLOYEE'S social security number ▶				5 Uncollected employee FICA tax on tips	9 Tax withheld	10 Wages paid	11 State or locality
				OTHER INFORMATION			STATUS
				Was employee covered by a qualified pension plan etc.?	Contribution to individual employee retirement account	Cost of group term life insurance included in box 2	Excludable sick pay included in box 2
				Yes <input type="checkbox"/> No <input type="checkbox"/>			1. Single 2. Married
Type or print EMPLOYEE'S name, address, and ZIP code above.				For instructions see Form W-3 and back of Copy D.			

For the year January 1–December 31, 1973, or other taxable year beginning, 1973, ending, 19.....

Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Bruce I. and Mary O. Vocular			736 42 5301
	Present home address (Number and street, including apartment number, or rural route)			Spouse's social security no.
	8211 Easy St.			720 54 1746
	City, town or post office, State and ZIP code		Occupation	Yours ▶ Optometrist Spouse's ▶ Practical Nurse

Filing Status—check only one:

- 1 ☐ Single
- 2 ☒ Married filing joint return (even if only one had income)
- 3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶
- 4 ☐ Unmarried Head of Household
- 5 ☐ Widow(er) with dependent child (Year spouse died ▶ 19)

Exemptions

Regular / 65 or over / Blind

- 6a Yourself ☒ ☐ ☐ Enter number of boxes checked ▶ 2
- b Spouse ☒ ☐ ☐
- c First names of your dependent children who lived with you
Photon I.
Quanta M. Enter number ▶ 2
- d Number of other dependents (from line 27) ▶ 4
- 7 Total exemptions claimed ▶ 4

8 Presidential Election Campaign Fund.—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note below.

Income	9 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, attach explanation)	9	7200	-
	10a Dividends (See instructions on page 6.) \$.....	10c		
	10b Less exclusion \$.....			
	10d (Gross amount received, if different from line 10a \$.....)			
	11 Interest income	11	37	-
	12 Income other than wages, dividends, and interest (from line 38)	12	14022	-
	13 Total (add lines 9, 10c, 11, and 12)	13	21259	-
	14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)	14	0	-
15 Subtract line 14 from line 13 (adjusted gross income)	15	21259	-	

- If you do not itemize deductions and line 15 is under \$10,000, find tax in Tables and enter on line 16.
- If you itemize deductions or line 15 is \$10,000 or more, go to line 44 to figure tax.
- CAUTION. If you have unearned income and can be claimed as a dependent on your parent's return, check here ☐ and see instructions on page 7.

Tax, Payments and Credits	16 Tax, check if from:	Tax Tables 1-12	<input checked="" type="checkbox"/> Tax Rate Schedule X, Y, or Z	16	2561	-
	<input type="checkbox"/> Schedule D	<input type="checkbox"/> Schedule E	Form 4726 OR Form 4972	17	1242	-
	17 Total credits (from line 54)			18	1319	-
	18 Income tax (subtract line 17 from line 16)			19	1119	-
	19 Other taxes (from line 61)			20	2438	-
	20 Total (add lines 18 and 19)					
	21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front)	21a	1015	-		
	b 1973 estimated tax payments (include amount allowed as credit from 1972 return)	b	1336	-		
	c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	c				
	d Other payments (from line 65)	d				
22 Total (add lines 21a, b, c, and d)	22	2351	-			

Balance Due or Refund	23 If line 20 is larger than line 22, enter BALANCE DUE IRS (Check here <input type="checkbox"/> if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.)	23	87	-
	24 If line 22 is larger than line 20, enter amount OVERPAID	24		
	25 Amount of line 24 to be REFUNDED TO YOU	25		
	26 Amount of line 24 to be credited on 1974 estimated tax	26		

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Sign here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.

Your signature _____ Date _____

Preparer's signature (other than taxpayer) _____ Date _____

Spouse's signature (if filing jointly, BOTH must sign even if only one had income) _____

Address (and ZIP Code) _____ Preparer's Emp. Ident. or Soc. Sec. No. _____

Please attach Copy B of Forms W-2 here

Write soc. sec. no. on Check or Money Order. Attach here

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
						\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	13985	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29		
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8)	35	37	-
36 Alimony received	36		
37 Other (state nature and source)	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	14022	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40		
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43		

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	21259	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	5055	-
46 Subtract line 45 from line 44	46	16204	-
47 Multiply total number of exemptions claimed on line 7, by \$750	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	13204	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50	1242	-
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54	1242	-

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	1119	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	1119	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign Accounts	Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach Form 4683. (For definitions, see Form 4683.)	

SCHEDULE SE
(Form 1040)

Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

- ▶ Each self-employed person must file a Schedule SE.
- ▶ Attach to Form 1040.

161

1976

- Ⓢ If you had wages, including tips, of \$10,800 or more that were subject to social security taxes, do not fill in this form.
- Ⓢ If you had more than one business, combine profits and losses from all your businesses and farms on this Schedule SE.

Important.—The self-employment income reported below will be credited to your social security record and used in figuring social security benefits.

NAME OF SELF-EMPLOYED PERSON (AS SHOWN ON SOCIAL SECURITY CARD)

Bruce I. Nocular

Social security number of self-employed person

736 42 5301

Business activities subject to self-employment tax (grocery store, restaurant, farm, etc.) ▶ *Optometrist*

- Ⓢ If you have only farm income complete Parts I and III.
- Ⓢ If you have only nonfarm income complete Parts II and III.
- Ⓢ If you have both farm and nonfarm income complete Parts I, II, and III.

Part I Computation of Net Earnings from FARM Self-Employment

SE

A farmer may elect to compute net farm earnings using the **OPTIONAL METHOD**, line 3, instead of using the **Regular Method**, line 2, if his gross profits are: (1) \$2,400 or less, or (2) more than \$2,400 and net profits are less than \$1,600. However, lines 1 and 2 must be completed even if you elect to use the **FARM OPTIONAL METHOD**.

1 REGULAR METHOD—Net profit or (loss) from:

- (a) Schedule F, line 54 (cash method), or line 74 (accrual method)
- (b) Farm partnerships

2 Net earnings from farm self-employment (add lines 1(a) and 1(b))

3 FARM OPTIONAL METHOD—If gross profits from farming are:¹

- (a) Not more than \$2,400, enter two-thirds of the gross profits
- (b) More than \$2,400 and the net farm profit is less than \$1,600, enter \$1,600

¹ Gross profits from farming are the total gross profits from Schedule F, line 28 (cash method), or line 72 (accrual method), plus the distributive share of gross profits from farm partnerships (Schedule K-1 (Form 1065), line 15) as explained in instructions for Schedule SE.

4 Enter here and on line 12(a), the amount on line 2, or line 3 if you elect the farm optional method

Part II Computation of Net Earnings from NONFARM Self-Employment

5 REGULAR METHOD—Net profit or (loss) from:

- (a) Schedule C, line 21. (Enter combined amount if more than one business.)
- (b) Partnerships, joint ventures, etc. (other than farming)
- (c) Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361, check here ☐ and enter zero on this line
- (d) Service with a foreign government or international organization
- (e) Other (director's fees, etc.). Specify ▶

6 Total (add lines 5(a), 5(b), 5(c), 5(d), and 5(e))

7 Enter other adjustments (attach statement)

8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7)

If line 8 is \$1,600 or more **OR** if you do not elect to use the Nonfarm Optional Method, omit lines 9 through 11 and enter amount from line 8 on line 12(b), Part III.

Note: You may use the nonfarm optional method (line 9 through line 11) only if line 8 is less than \$1,600 and less than two-thirds of your gross nonfarm profits,² and you had actual net earnings from self-employment of \$400 or more for at least 2 of the 3 following years: 1970, 1971, and 1972. The nonfarm optional method can only be used for 5 taxable years.

² Gross profits from nonfarm business are the total of the gross profits from Schedule C, line 3, plus the distributive share of gross profits from nonfarm partnerships (Schedule K-1 (Form 1065), line 15) as explained in instructions for Schedule SE. Also, include gross profits from services reported on lines 5(c), 5(d), and 5(e), as adjusted by line 7.

9 NONFARM OPTIONAL METHOD:

- (a) Maximum amount reportable, under both optional methods combined (farm and nonfarm)
- (b) Enter amount from line 3. (If you did not elect to use the farm optional method, enter zero.)
- (c) Balance (subtract line 9(b) from line 9(a))

10 Enter two-thirds of gross nonfarm profits² or \$1,600, whichever is smaller

11 Enter here and on line 12(b), the amount on line 9(c) or line 10, whichever is smaller

Part III Computation of Social Security Self-Employment Tax**12** Net earnings or (loss):

(a) From farming (from line 4)

(b) From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)

13 Total net earnings or (loss) from self-employment reported on line 12. (If line 13 is less than \$400, you are not subject to self-employment tax. Do not fill in rest of form.)**14** The largest amount of combined wages and self-employment earnings subject to social security tax for 1973 is**15 (a)** Total "FICA" wages as indicated on Forms W-2

(b) Unreported tips, if any, subject to FICA tax from Form 4137, line 9

(c) Total of lines 15(a) and 15(b)

16 Balance (subtract line 15(c) from line 14)**17** Self-employment income—line 13 or 16, whichever is smaller**18** If line 17 is ~~\$10,800~~ ^{14,100}, enter ~~\$864.00~~ ¹¹²⁸; if less, multiply the amount on line 17 by ~~.08~~ ^{.080}**19** Railroad employee's and railroad employee representative's adjustment for hospital insurance benefits tax from Form 4469**20** Self-employment tax (subtract line 19 from line 18). Enter here and on Form 1040, line 55

You may use this space to make any needed computations

Computation of Investment Credit

► Attach to your tax return.
For calendar year 1973 or other taxable year beginning

164

1976

....., 1973, and ending, 19.....

Name

Bruce I. Nocular.

Identifying number as shown on
page 1 of your tax return

1 Qualified investment in new and used property (See instructions C and D for eligible property)

NOTE: Include your share of investment property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	3 or more but less than 5		33 1/3	
	(b)	5 or more but less than 7		66 2/3	
	(c)	7 or more	<i>17739</i>	100	<i>17739</i>
Used Property (See instructions for dollar limitation)	(d)	3 or more but less than 5		33 1/3	
	(e)	5 or more but less than 7		66 2/3	
	(f)	7 or more		100	

2 Total qualified investment—Add lines 1(a) through 1(f)

17739

3 Tentative investment credit—7% of line 2 (4% for public utility property)

1242

4 Carryback and carryover of unused credit(s). (See instruction F and instruction for line 4—attach computation.)

0

5 Total—Add lines 3 and 4

1242

Limitation

6 (a) Individuals—Enter amount from line 16, page 1, Form 1040

(b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041.

(c) Corporations—Enter amount from line 5, Schedule J, Form 1120.

2561

7 Less: (a) Foreign tax credit

(b) Retirement income credit (individuals only)

0
0

8 Total—Add lines 7(a) and (b)

0

9 Line 6 less line 8

2561

10 (a) Enter amount on line 9 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 10.)

2561

(b) If line 9 exceeds \$25,000, enter 50% of the excess.

-

11 Total—Add lines 10(a) and (b)

2561

12 Investment credit—Enter amount from line 5 or line 11, whichever is lesser

1242

Schedule A

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		\$	\$	

In the event that property is disposed of prior to the life years used in computing the investment credit, see instruction E.

Profit or (Loss) From Business or Profession
(Sole Proprietorship)

▶ Attach to Form 1040. ▶ Partnerships, joint ventures, etc., must file Form 1065.

165

1976

Name(s) as shown on Form 1040

Nocular, Bruce I. OD

Social security number

736 42 5301

A Principal business activity (see Schedule C Instructions) ▶ Service

; product ▶ Optometrist

B Business name ▶ Bruce I. Nocular OD

C Employer identification number ▶

D Business address (number and street) ▶ 4104 Neural Pathway

City, State and ZIP code ▶

E Indicate method of accounting: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other ▶

F Were you required to file Form W-3 or Form 1096 for 1973? (See Schedule C Instructions.)

If "Yes," where filed ▶ Portland, Oregon

G Was an Employer's Quarterly Federal Tax Return, Form 941, filed for this business for any quarter in 1973?

H Method of inventory valuation ▶ Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? (If "Yes," attach explanation)

Yes	No
X	
X	
	X

Income	
1 Gross receipts or sales \$ <u>33000</u> Less: returns and allowances \$ Balance ▶	<u>33000</u> -
2 Less: Cost of goods sold and/or operations (Schedule C-1, line 8)	<u>12170</u> -
3 Gross profit	<u>20830</u> -
4 Other income (attach schedule)	<u>0</u> -
5 Total income (add lines 3 and 4)	<u>20830</u> -

Deductions	
6 Depreciation (explain in Schedule C-3) <u>Form 4562</u>	<u>1603</u> -
7 Taxes on business and business property (explain in Schedule C-2)	<u>194</u> -
8 Rent on business property	<u>2100</u> -
9 Repairs (explain in Schedule C-2)	<u>65</u> -
10 Salaries and wages not included on line 3, Schedule C-1 (exclude any paid to yourself)	<u>200</u> -
11 Insurance	<u>200</u> -
12 Legal and professional fees <u>Tax Prep.</u>	<u>75</u> -
13 Commissions	
14 Amortization (attach statement)	
15 (a) Pension and profit-sharing plans (see Schedule C Instructions)	
(b) Employee benefit programs (see Schedule C Instructions)	<u>130</u> -
16 Interest on business indebtedness	<u>600</u> -
17 Bad debts arising from sales or services	
18 Depletion	
19 Other business expenses (specify):	
(a) <u>Office Supplies</u>	<u>422</u> -
(b) <u>Employee FICA (Employer Contrib.)</u>	<u>123</u> -
(c) <u>Utilities</u>	<u>155</u> -
(d) <u>Auto Expenses (No 2106)</u>	
(e) <u>780 mi @ 15¢/mi</u>	<u>117</u> -
(f) <u>Telephone</u>	<u>105</u> -
(g) <u>Small Equip. Purchases</u>	<u>276</u> -
(h) <u>Dues (Prot.)</u>	<u>250</u> -
(i) <u>Prot. Journals</u>	<u>150</u> -
(j)	
(k) Total other business expenses (add lines 19(a) through 19(j))	<u>1678</u>
20 Total deductions (add lines 6 through 19)	<u>< 6845 -</u>
21 Net profit or (loss) (subtract line 20 from line 5). Enter here and on Form 1040, line 28. ALSO enter on Schedule SE, line 5(a)	<u>13985</u>

SCHEDULE C-1.—Cost of Goods Sold and/or Operations (See Schedule C Instructions for Line 2)

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	<u>0</u>
2 Purchases \$ <u>10,100</u> Less: cost of items withdrawn for personal use \$ <u>145</u> Balance ▶	<u>9955</u> -
3 Cost of labor (do not include salary paid to yourself)	<u>2100</u> -
4 Materials and supplies	<u>115</u> -
5 Other costs (attach schedule)	
6 Total of lines 1 through 5	
7 Less: Inventory at end of year	<u>0</u>
8 Cost of goods sold and/or operations. Enter here and on line 2 above	<u>12170</u> -

2.—Explanation of Lines 7 and 9

[illegible]

SCHEDULE C-3.—Depreciation (See Schedule C Instructions for Line 6) If you need more space, you may use Form 4562.

Note: If depreciation is computed by using the Class Life (ADR) System for assets placed in service after December 31, 1970, or the Guideline Class Life System for assets placed in service before January 1, 1971, you must file Form 4832 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System). Except as otherwise expressly provided in income tax regulations sections 1.167(a)-11(b)(5)(vi) and 1.167(a)-12, the provisions of Revenue Procedures 62-21 and 65-13 are not applicable for taxable years ending after December 31, 1970.

Check box if you made an election this taxable year to use ☐ ClassLife (ADR) System¹ and/or ☐ Guideline Class Life System.

a. Group and guideline class or description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) →						
2 Depreciation from Form 4832	(See Note above)					
3 Depreciation from Form 5006						
4 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						

SUMMARY OF DEPRECIATION (Other Than Additional First-Year Depreciation)

	Straight line	Declining balance	Sum of the years-digits	Units of production	Other (specify)	Total
1 Depreciation from Form 4832						
2 Depreciation from Form 5006						
3 Other						

SCHEDULE C-4.—Expense Account Information (See Schedule C instructions for Schedule C-4)

Enter information with regard to yourself and your five highest paid employees. In determining the five highest paid employees, expense account allowances must be added to their salaries and wages. However, the information need not be submitted for any employee for whom the combined amount is less than \$10,000, or for yourself if your expense account allowance plus line 21, page 1, is less than \$10,000.

Did you claim a deduction for expenses connected with:

(1) Entertainment facility (boat, resort, ranch, etc.)? ☐ Yes ☐ No (3) Employees' families at conventions or meetings? ☐ Yes ☐ No

(2) Living accommodations (except employees on business)? ☐ Yes ☐ No (4) Employee or family vacations not reported on Form W-2? ☐ Yes ☐ No

Itemized Deductions

166

1976
1976

▶ Attach to Form 1040.

Name(s) as shown on Form 1040

Bruce I. and Mary O. Nocular

Your social security number

736 42 5301

Medical and Dental Expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

1 One half (but not more than \$150) of insurance premiums for medical care. (Be sure to include in line 10 below)	<i>150</i>	-
2 Medicine and drugs	<i>165</i>	-
3 Enter 1% of line 15, Form 1040	<i>213</i>	-
4 Subtract line 3 from line 2. Enter difference (if less than zero, enter zero)	<i>0</i>	-
5 Enter balance of insurance premiums for medical care not entered on line 1	<i>185</i>	-
6 Enter other medical and dental expenses:		
a Doctors, dentists, etc.	<i>265</i>	-
b Hospitals	<i>32</i>	-
c Other (Itemize—include hearing aids, dentures, eyeglasses, transportation, etc.) ▶		
<i>Orthopedic shoes</i>	<i>27</i>	-
<i>Crutches</i>	<i>14</i>	-
<i>Medical Travel</i>		
<i>215 mi. @ 0.06/mi.</i>	<i>13</i>	-
7 Total (add lines 4, 5, 6a, b, and c)	<i>536</i>	-
8 Enter 3% of line 15, Form 1040	<i>638</i>	-
9 Subtract line 8 from line 7 (if less than zero, enter zero)	<i>0</i>	-
10 Total (add lines 1 and 9). Enter here and on line 35 ▶	<i>150</i>	-

Taxes

11 State and local income	<i>975</i>	-
12 Real estate	<i>530</i>	-
13 State and local gasoline (see gas tax tables)	<i>100</i>	-
14 General sales (see sales tax tables)		
15 Personal property		
16 Other (Itemize) ▶		
17 Total (add lines 11, 12, 13, 14, 15, and 16). Enter here and on line 36 ▶	<i>1605</i>	-

Interest Expense

18 Home mortgage	<i>1550</i>	-
19 Other (Itemize) ▶		
<i>Auto Loan</i>	<i>235</i>	-
<i>Master Charge</i>	<i>10</i>	-
<i>J.C. Penney</i>	<i>35</i>	-
20 Total (add lines 18 and 19). Enter here and on line 37 ▶	<i>1830</i>	-

Contributions (See instructions on page 11 for examples.)

21 a Cash contributions for which you have receipts, cancelled checks, etc.	<i>400</i>	-
b Other cash contributions. List donees and amounts. ▶		
<i>Boy Scouts</i>	<i>5</i>	-
<i>Girl Scouts</i>	<i>5</i>	-
<i>UNICEF</i>	<i>20</i>	-
22 Other than cash (see instructions on page 12 for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a, b, 22, and 23). Enter here and on line 38 ▶	<i>430</i>	-

Casualty or Theft Loss(es) (See instructions on page 12.)
Note: If you had more than one loss, omit lines 25 through 28 and see instructions on page 12 for guidance.

25 Loss before insurance reimbursement		
26 Insurance reimbursement		
27 Subtract line 26 from line 25. Enter difference (if less than zero, enter zero)		
28 Enter \$100 or amount on line 27, whichever is smaller		
29 Casualty or theft loss (subtract line 28 from line 27). Enter here and on line 39 ▶		

Miscellaneous Deductions (See instructions on page 12.)

30 Alimony paid		
31 Union dues	<i>35</i>	-
32 Expenses for child and dependent care services (attach Form 2441)	<i>900</i>	-
33 Other (Itemize) ▶		
<i>Uniform + Maint.</i>	<i>105</i>	-
34 Total (add lines 30, 31, 32, and 33). Enter here and on line 40 ▶	<i>1040</i>	-

Summary of Itemized Deductions

A

35 Total medical and dental—line 10	<i>150</i>	-
36 Total taxes—line 17	<i>1605</i>	-
37 Total interest—line 20	<i>1830</i>	-
38 Total contributions—line 24	<i>430</i>	-
39 Casualty or theft loss(es)—line 29		
40 Total miscellaneous—line 34	<i>1040</i>	-
41 Total deductions (add lines 35, 36, 37, 38, 39, and 40). Enter here and on Form 1040, line 45 ▶	<i>5055</i>	-

Name

Nocular, Bruce I. and Mary O.

Social Security Number

736 42 5301

1 Enter amount of Adjusted Gross Income expected in 1974 (see note in instruction 1) 20,000
TAX TABLE USERS OMIT LINES 2, 3, AND 4. FIND TAX IN TAX TABLES 1-12 IN
1973 INSTRUCTIONS FOR FORM 1040 OR FORM 1040A AND ENTER ON LINE 5
(Caution: If another person is entitled to claim you as a dependent, see 1973 Instructions for Form 1040 or Form 1040A.)

2 If you expect to itemize deductions, enter estimated total of such deductions. If you do not expect to itemize
deductions, enter 15% of line 1 (limited to \$2,000 (\$1,000 if married filing separately)) 4,500

3 Exemptions (\$750 for each, including additional exemptions for age and blindness) 3,000

4 Line 1 less the total of lines 2 and 3. This is your estimated taxable income 12,500

5 Tax (Compute tax on the amount on line 4 by using appropriate Tax Rate Schedule X, Y, or Z on page 4 or tax
on the amount on line 1 from 1973 Tax Tables 1-12.) 2,385

6 Credits: retirement income, foreign tax, investment, political contributions, and work incentive (WIN) 1,000

7 Line 5 less line 6 1,385

8 Tax from recomputing prior year's investment credit (see Form 4255) 0

9 Tax from recomputing prior year's work incentive (WIN) credit 0

10 Estimate of 1974 self-employment income \$12,800; if \$12,800 or more, enter \$12,800; if less, multiply
the amount by .08. (If joint declaration and both have self-employment income, make separate computations.) 1,024

11 Add lines 7, 8, 9, and 10 2,409

12 Estimated income tax withheld and to be withheld during entire year 1974 plus credit for Federal tax on
gasoline, special fuels, and lubricating oil 1,073

13 Estimated tax (line 11 less line 12). Enter here and in Block A on declaration-voucher. If \$100 or more, file
the declaration-voucher. If less than \$100, no declaration is required 1,336

14 Computation of installments:
If declaration { April 15, 1974, enter 1/4 } of line 13 here and on line 1 of original }
is due to { June 15, 1974, enter 1/3 } and subsequent declaration-vouchers }
be filed on: { September 15, 1974, enter 1/2 }
{ January 15, 1975, enter amount }

Note: If your estimated tax should change during the year, you may use the amended computation below to
determine the amended amounts to be entered on declaration-voucher.

Amended Computation

(Use if estimated tax is substantially changed after the first declaration-voucher filed.)

- 1 Amended estimated tax. (Enter here and in
Block A on declaration-voucher.)
- 2 Less:
(a) Amount of last year's overpayment elected for
credit to 1974 estimated tax and applied to date
- (b) Payments made on 1974 declaration
- (c) Total of lines 2(a) and 2(b)
- 3 Unpaid balance (line 1 less line 2(c))
- 4 Amount to be paid (line 3 divided by num-
ber of remaining installments). (Enter here
and on line 1 of declaration-voucher.)

Record of Estimated Tax Payments

Voucher number	Date	Amount	1973 overpayment credit applied to installment	Total amount paid and credited from Jan. 1 through the install- ment date shown. Add (b) and (c)
	(a)	(b)	(c)	(d)
1	3/20/76	334	0	334
2				
3				
4				
Total				

Page 2

Detach here

Form 1040-ES

Department of the Treasury
Internal Revenue ServiceEstimated Tax Declaration-Voucher
for Individuals—1974

(To be used for making declaration and payment)

Voucher #1 Due April 15, 1976
(Calendar year—1976)

*A. Estimated tax (or amended estimated tax) for the year ending 12/31/76 (month and year)

*B. Overpayment from last year credited to estimated tax for this year

if fiscal year taxpayer, see instruction 10.

* Complete only if this is an original or amended declaration, and your total estimated tax for the year is \$100.00 or more.

Return this voucher with check or money order payable to "Internal Revenue Service."

1. Amount of this installment \$ 334

2. Amount of unused overpayment credit, if any, applied to this installment (see instruction 8) \$ 0

3. Amount of this installment payment (line 1 less line 2) \$ 334

If this is an original declaration-voucher, file even though line 3 is zero.

*Sign here

Your Signature

Spouse's signature (if joint declaration)

Your social security number 736-42-5301

Spouse's number, if joint return 720-54-1746

First name and initial (if joint declaration, use first names and middle initials of both) Bruce I. and Mary O.

Last name Nocular

Address (Number and street) 8211 Easy Street

City, State, and ZIP code

G. Sample Return No. 3B (1976-B). The First Full Year with Income Averaging (Schedule G)

1. Introduction

- a. all supporting schedules are identical with Sample Return 3A, therefore, only schedules showing the differences are included
- b. the use of the Income Averaging method of tax determination is presented since it will enable a taxpayer to save some tax money
- c. the data for base years 1974 and 1975 are from Sample Returns 1 and 2A respectively

2. Important Concepts

- a. income averaging is based on Taxable Income not Gross or Adjusted Gross Incomes
- b. for the year 1974, a short form, Form 1040A, was filed; therefore, the Taxable Income must be computed

Gross Income	8618
Standard Deduction	(1293)
Exemption	(2250)
	<hr/>
Taxable Income	5075

- c. for the year 1975, and any other year in which a Form 1040 was filed, the Taxable Income is found on Line 48, Part III of Form 1040. (TI 1975A = \$3792)
- d. Points of comparison
comparing Sample Return 3A to 3B

Method of Tax Determinate	
Regular Method, Schedule Y (3A)	= 2561
Schedule G (3B)	= 2367
	<hr/>
Tax saving	= 194

The saving isn't a fortune, but it might be two weeks wages to the secretary/receptionist

Form 1040

US

Department of the Treasury—Internal Revenue Service

Individual Income Tax Return

1973

For the year January 1–December 31, 1973, or other taxable year beginning, 1973, ending, 19.....

Please print or type	Name (If joint return, give first names and initials of both) Bruce I. and Mary O. Nocular	Last name Nocular	COUNTY OF RESIDENCE	Your social security number 736 42 5301
	Present home address (Number and street, including apartment number, or rural route) 8211 Easy St		Spouse's social security no. 720 54 1746	
	City, town or post office, State and ZIP code		Occupation Yours ▶ Optometrist Spouse's ▶ Practical Nurse	

Filing Status—check only one:

- 1 ☐ Single
 2 ☒ Married filing joint return (even if only one had income)
 3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above

and enter full name here ▶

- 4 ☐ Unmarried Head of Household
 5 ☐ Widow(er) with dependent child (Year spouse died ▶ 19)

Exemptions

Regular / 65 or over / Blind

- 6a Yourself . . . ☒ ☐ ☐ Enter number of boxes checked ▶ **2**
 b Spouse . . . ☒ ☐ ☐

c First names of your dependent children who lived with you
Photon I**Ouenta M.**Enter number ▶ **2**d Number of other dependents (from line 27) . . . ▶ **4**7 Total exemptions claimed . . . ▶ **4**

8 Presidential Election Campaign Fund.—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note below.

Income	9 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, attach explanation)	9	7200	-
	10a Dividends (See instructions on page 6) \$....., 10b Less exclusion \$....., Balance ▶	10c	0	-
	10d (Gross amount received, if different from line 10a . . . \$.....)			
	11 Interest income	11	37	-
	12 Income other than wages, dividends, and interest (from line 38)	12	14022	-
	13 Total (add lines 9, 10c, 11, and 12)	13	0	-
	14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)	14	0	-
	15 Subtract line 14 from line 13 (adjusted gross income)	15	21259	-

- If you do not itemize deductions and line 15 is under \$10,000, find tax in Tables and enter on line 16.
 ● If you itemize deductions or line 15 is \$10,000 or more, go to line 44 to figure tax.
 ● CAUTION. If you have unearned income and can be claimed as a dependent on your parent's return, check here ☐ and see instructions on page 7.

Tax, Payments and Credits	16 Tax, check if from: Tax Tables 1-12 <input type="checkbox"/> Schedule D <input type="checkbox"/> <input checked="" type="checkbox"/> Schedule G Tax Rate Schedule X, Y, or Z Form 4726 OR Form 4972	16	2367	-
	17 Total credits (from line 54)	17	< 1242	>
	18 Income tax (subtract line 17 from line 16)	18	1125	-
	19 Other taxes (from line 61)	19	1119	-
	20 Total (add lines 18 and 19)	20	2244	-
	21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front)	21a	1015	-
	b 1973 estimated tax payments (include amount allowed as credit from 1972 return)	b	1336	-
	c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	c	0	-
d Other payments (from line 65)	d	0	-	
22 Total (add lines 21a, b, c, and d)	22	2351	-	

Balance Due or Refund	23 If line 20 is larger than line 22, enter BALANCE DUE IRS (Check here <input type="checkbox"/> if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.)	23		
	24 If line 22 is larger than line 20, enter amount OVERPAID	24	107	-
	25 Amount of line 24 to be REFUNDED TO YOU	25		
	26 Amount of line 24 to be credited on 1974 estimated tax	26		

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Sign here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.	
	Bruce I. Nocular	Date
	Preparer's signature (other than taxpayer)	Date
Spouse's signature (if filing jointly, BOTH must sign even if only one had income)		Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.

Please attach Copy B of Forms W-2 here

Write soc. sec. no. on Check or Money Order. Attach here

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
					\$	\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	13985	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29		
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8).	35	37	-
36 Alimony received	36		
37 Other (state nature and source)	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	14022	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40		
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43		

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	21259	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	5055	-
46 Subtract line 45 from line 44	46	16204	-
47 Multiply total number of exemptions claimed on line 7, by \$750	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	13204	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50	1242	-
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54	1242	-

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	1119	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	1119	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign Accounts	Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach Form 4683. (For definitions, see Form 4683.)	

Income Averaging

▶ See instructions on pages 3 and 4.
▶ Attach to Form 1040.

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1976

Name(s) as shown on Form 1040

Bruce I. and Mary O. Nocular

Your social security number

736 42 5301

Taxable Income and Adjustments

	(a) Computation year 1976	(b) 1st preceding base period year 1975-A	(c) 2d preceding base period year 1975 4	(d) 3d preceding base period year 1975 3	(e) 4th preceding base period year 1972
1 Taxable income (see instruction 1)	<i>13,202</i>	<i>3792</i>	<i>5075</i>	<i>4635</i>	<i>5215</i>
2 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931					
3 Excess community income and certain amounts received by owner-employees subject to a penalty under section 72(m)(5). See instruction 3	<i>0</i>				
4 Accumulation distributions subject to section 668(a). See Form 4970	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
5 Adjusted taxable income or base period income. (Line 1 plus line 2, less lines 3 and 4.) If less than zero, enter zero	<i>13,202</i>	<i>3792</i>	<i>5075</i>	<i>4635</i>	<i>5215</i>

Computation of Averagable Income

6 Adjusted taxable income from line 5, column (a)	6	<i>13202</i>
7 30% of the sum of line 5, columns (b), (c), (d), and (e)	7	<i>5615</i>
8 Averagable income (line 6 less line 7)	8	<i>7587</i>

Complete the remaining parts of this form only if line 8 is more than \$3,000. If \$3,000 or less, you do not qualify for income averaging. Do not fill in rest of form.



Computation of Tax

9 Amount from line 7	9	<i>5615</i>
10 20% of line 8	10	<i>1517</i>
11 Total (add lines 9 and 10)	11	<i>7132</i>
12 Amount from line 3, column (a), less any income subject to a penalty under section 72(m)(5) which was included in line 3	12	<i>0</i>
13 Total (add lines 11 and 12)	13	<i>7132</i>
14 Tax on amount on line 13	14	<i>1215</i>
15 Tax on amount on line 11	15	<i>1215</i>
16 Tax on amount on line 9	16	<i>927</i>
17 Difference (line 15 less line 16)	17	<i>288</i>
18 Multiply the amount on line 17 by 4	18	<i>1152</i>
19 Total (add lines 14 and 18)	19	<i>2367</i>
20 Tax on income subject to the penalty under section 72(m)(5) which was included in line 3	20	<i>0</i>
21 Tax (add lines 19 and 20). Enter here and on Form 1040, line 16. Also check Schedule G box on Form 1040, line 16	21	<i>2367</i>

H. Sample Return 3C (1976-C). First Full Year with Tax Rate Schedule Y and Using Additional First Year Depreciation

1. Discussion

- a. this sample return was prepared to demonstrate the effect of using additional first-year depreciation upon the final tax. Only schedules different from 3A are presented
- b. the effect of this technique is to lower the net income reported on the Schedule C
- c. it is important to realize that in effect, by taking the additional first-year depreciation in a current tax year, the annual depreciation will be reduced and the taxes increased for subsequent years
- d. in other words, the situation requires a trade off. Less tax now or less tax later. Remember as income increases, the tax rate increases so that each dollar of depreciation saves more tax at higher income levels than at lower income levels. Depreciation of \$1000 saves more taxes at a gross income level of \$75,000 than at \$30,000 by a significant amount
- e. considered still another way, there are X many depreciable dollars. The method of depreciation determines the distribution of the X dollars over the depreciable life of the asset, and thus the distribution of the reduced taxes
- f. if gross income were fixed year to year, if the economy were stable, and if stability in net income were the goal, straight-line depreciation would be the obvious choice. The dynamics of our economic system requires broad planning
- g. any person with an income above the subsistence level, that is, with capital for investment, should make a concerted effort to plan for future business investments. This should be done with a careful consideration of tax benefits and loopholes. In other words, it might be wise to use accelerated depreciation or additional first year now with plans for Keogh (Self-employed retirement plan) Fund investment and real estate investments in subsequent years to reduce taxes

2. Comparison of Returns 3A and 3C

Point of Comparison	3A	3C
<hr/>		
Schedule C		
GI	33,000	33,000
Depreciation	1,603(SL)	4,790(w/add. 1st yr.)
NI	13,985	10,798
AGI (Joint)	21,259	18,072
TI	13,204	10,017
Tax (Line 16)	2,561	1,823
Difference		738

For the year January 1–December 31, 1973, or other taxable year beginning _____, 1973, ending _____, 19_____.

Please print or type	Name (If joint return, give first names and initials of both)	Last name	COUNTY OF RESIDENCE	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.	
	City, town or post office, State and ZIP code		Occu- pation	Yours <input type="checkbox"/> Spouse's <input type="checkbox"/>

Filing Status—check only one:

- 1 ☐ Single
 2 ☐ Married filing joint return (even if only one had income)
 3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above

and enter full name here ☐

- 4 ☐ Unmarried Head of Household
 5 ☐ Widow(er) with dependent child (Year spouse died ☐ 19)

Exemptions

Regular / 65 or over / Blind

- 6a Yourself ☐ ☐ ☐ Enter number of boxes checked ☐
 b Spouse ☐ ☐ ☐
 c First names of your dependent children who lived with you _____ Enter number ☐

- d Number of other dependents (from line 27) ☐
 7 Total exemptions claimed ☐

8 Presidential Election Campaign Fund.—Check ☐ if you wish to designate \$1 of your taxes for this fund. If joint return, check ☐ if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note below.

Income	9 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, attach explanation)	9	7200	-
	10a Dividends (See instructions on page 5.) \$....., 10b Less exclusion \$....., Balance <input type="checkbox"/>	10c		
	10d (Gross amount received, if different from line 10a) \$.....			
	11 Interest income	11	37	-
	12 Income other than wages, dividends, and interest (from line 38)	12	10835	-
	13 Total (add lines 9, 10c, 11, and 12)	13	18072	-
	14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43)	14	0	
	15 Subtract line 14 from line 13 (adjusted gross income)	15	18072	-

- If you do not itemize deductions and line 15 is under \$10,000, find tax in Tables and enter on line 16.
 • If you itemize deductions or line 15 is \$10,000 or more, go to line 44 to figure tax.
 • CAUTION. If you have unearned income and can be claimed as a dependent on your parent's return, check here ☐ and see instructions on page 7.

Tax, Payments and Credits	16 Tax, check if from: <input type="checkbox"/> Schedule D <input type="checkbox"/> Schedule G <input checked="" type="checkbox"/> Tax Tables 1-12 <input checked="" type="checkbox"/> Tax Rate Schedule X, Y, or Z <input type="checkbox"/> Form 4726 <input type="checkbox"/> Form 4972	16	1823	-
	17 Total credits (from line 54)	17	1242	-
	18 Income tax (subtract line 17 from line 16)	18	581	-
	19 Other taxes (from line 61)	19	864	-
	20 Total (add lines 18 and 19)	20	1445	-
	21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front)	21a	1015	-
	b 1973 estimated tax payments (include amount allowed as credit from 1972 return)	b	1336	-
	c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	c		
d Other payments (from line 65)	d			
22 Total (add lines 21a, b, c, and d)	22	2351	-	

Balance Due or Refund	23 If line 20 is larger than line 22, enter BALANCE DUE IRS (Check here <input type="checkbox"/> if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.)	23		
	24 If line 22 is larger than line 20, enter amount OVERPAID	24	906	-
	25 Amount of line 24 to be REFUNDED TO YOU	25		
	26 Amount of line 24 to be credited on 1974 estimated tax	26		

Note: 1972 Presidential Election Campaign Fund Designation.—Check ☐ if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check ☐ if spouse did not designate on 1972 return but now wishes to do so.

Sign here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge.			
	<table border="0"> <tr> <td> <div data-bbox="292 1879 440 1923">Your signature</div> <div data-bbox="873 1902 915 1923">Date</div> </td> <td> <div data-bbox="1031 1902 1369 1923">Preparer's signature (other than taxpayer)</div> <div data-bbox="1523 1902 1565 1923">Date</div> </td> </tr> <tr> <td colspan="2"> <div data-bbox="316 1965 972 1988">Spouse's signature (if filing jointly, BOTH must sign even if only one had income)</div> <div data-bbox="1031 1965 1565 1988">Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.</div> </td> </tr> </table>	<div data-bbox="292 1879 440 1923">Your signature</div> <div data-bbox="873 1902 915 1923">Date</div>	<div data-bbox="1031 1902 1369 1923">Preparer's signature (other than taxpayer)</div> <div data-bbox="1523 1902 1565 1923">Date</div>	<div data-bbox="316 1965 972 1988">Spouse's signature (if filing jointly, BOTH must sign even if only one had income)</div> <div data-bbox="1031 1965 1565 1988">Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.</div>
<div data-bbox="292 1879 440 1923">Your signature</div> <div data-bbox="873 1902 915 1923">Date</div>	<div data-bbox="1031 1902 1369 1923">Preparer's signature (other than taxpayer)</div> <div data-bbox="1523 1902 1565 1923">Date</div>			
<div data-bbox="316 1965 972 1988">Spouse's signature (if filing jointly, BOTH must sign even if only one had income)</div> <div data-bbox="1031 1965 1565 1988">Address (and ZIP Code) Preparer's Emp. Ident. or Soc. Sec. No.</div>				

Please attach Copy B of Forms W-2 here

Write soc. sec. no. on Check or Money Order. Attach here

Other Dependents	(a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$750 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
						\$

27 Total number of dependents listed in column (a). Enter here and on line 6d

Part I Income other than Wages, Dividends, and Interest

28 Business income or (loss) (attach Schedule C)	28	10798	-
29 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	29		
30 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	30		
31 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	31		
32 Farm income or (loss) (attach Schedule F)	32		
33 Fully taxable pensions and annuities (not reported on Schedule E—see instructions on page 8)	33		
34 50% of capital gain distributions (not reported on Schedule D)	34		
35 State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see instructions on page 8)	35	37	-
36 Alimony received	36		
37 Other (state nature and source)	37		
38 Total (add lines 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37). Enter here and on line 12	38	10835	-

Part II Adjustments to Income

39 "Sick pay." (From Forms W-2 and W-2P. If not shown on Forms W-2 or W-2P, attach Form 2440 or statement.)	39		
40 Moving expense (attach Form 3903)	40		
41 Employee business expense (attach Form 2106 or statement)	41		
42 Payments as a self-employed person to a retirement plan, etc. (see Form 4848)	42		
43 Total adjustments (add lines 39, 40, 41, and 42). Enter here and on line 14	43		

Part III Tax Computation (Do not use this part if you use Tax Tables 1-12 to find your tax.)

44 Adjusted gross income (from line 15)	44	18072	-
45 (a) If you itemize deductions, enter total from Schedule A, line 41 and attach Schedule A (b) If you do not itemize deductions, enter 15% of line 44, but do NOT enter more than \$2,000. (\$1,000 if line 3 checked)	45	5055	-
46 Subtract line 45 from line 44	46	13017	-
47 Multiply total number of exemptions claimed on line 7, by \$750	47	3000	-
48 Taxable income. Subtract line 47 from line 46	48	10017	-

(Figure your tax on the amount on line 48 by using Tax Rate Schedule X, Y, or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, maximum tax from Form 4726, or special averaging from Form 4972.) Enter tax on line 16.

Part IV Credits

49 Retirement income credit (attach Schedule R)	49		
50 Investment credit (attach Form 3468)	50	1242	-
51 Foreign tax credit (attach Form 1116)	51		
52 Credit for contributions to candidates for public office—see instructions on page 9	52		
53 Work Incentive (WIN) credit (attach Form 4874)	53		
54 Total credits (add lines 49, 50, 51, 52, and 53). Enter here and on line 17	54	1242	-

Part V Other Taxes

55 Self-employment tax (attach Schedule SE)	55	1119	-
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56		
57 Tax from recomputing prior-year Work Incentive (WIN) credit (attach schedule)	57		
58 Minimum tax. Check here <input type="checkbox"/> if Form 4625 is attached	58		
59 Social security tax on tip income not reported to employer (attach Form 4137)	59		
60 Uncollected employee social security tax on tips (from Forms W-2)	60		
61 Total (add lines 55, 56, 57, 58, 59, and 60). Enter here and on line 19	61	1119	-

Part VI Other Payments

62 Excess FICA tax withheld (two or more employers—see instructions on page 9)	62		
63 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	63		
64 Credit from a Regulated Investment Company (attach Form 2439)	64		
65 Total (add lines 62, 63, and 64). Enter here and on line 21d	65		

Foreign Accounts	Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach Form 4683. (For definitions, see Form 4683.)	

Profit or (Loss) From Business or Profession

(Sole Proprietorship)

▶ Attach to Form 1040. ▶ Partnerships, joint ventures, etc., must file Form 1065.

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1973

Name(s) shown on Form 1040

Social security number

- A Principal business activity (see Schedule C Instructions); product
- B Business name C Employer identification number
- D Business address (number and street) *Same as 1976 A and B*
City, State and ZIP code
- E Indicate method of accounting: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other
- F Were you required to file Form W-3 or Form 1096 for 1973? (See Schedule C Instructions.)
If "Yes," where filed
- G Was an Employer's Quarterly Federal Tax Return, Form 941, filed for this business for any quarter in 1973?
- H Method of inventory valuation Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? (If "Yes," attach explanation)

		Yes	No
Income	1 Gross receipts or sales \$	33000	
	2 Less: Cost of goods sold and/or operations (Schedule C-1, line 8)	12170	
	3 Gross profit	20830	
	4 Other income (attach schedule) <i>Same as 1976 A + B</i>	0	
	5 Total income (add lines 3 and 4)	20830	-
Deductions	6 Depreciation (explain in Schedule C-3) <i>Form 4562</i>	4790	-
	7 Taxes on business and business property (explain in Schedule C-2)	194	-
	8 Rent on business property	2100	-
	9 Repairs (explain in Schedule C-2)	65	-
	10 Salaries and wages not included on line 3, Schedule C-1 (exclude any paid to yourself)	200	-
	11 Insurance	200	-
	12 Legal and professional fees	75	-
	13 Commissions		
	14 Amortization (attach statement)		
	15 (a) Pension and profit-sharing plans (see Schedule C Instructions)		
	(b) Employee benefit programs (see Schedule C Instructions)	130	-
	16 Interest on business indebtedness	600	-
	17 Bad debts arising from sales or services		
	18 Depletion		
	19 Other business expenses (specify):		
	(a)		
	(b)		
	(c) <i>Same as</i>		
	(d)		
(e) <i>1976 A and B</i>			
(f)			
(g)			
(h)			
(i)			
(j)			
(k) Total other business expenses (add lines 19(a) through 19(j))	1678	-	
20 Total deductions (add lines 6 through 19)	10032	-	

21 Net profit or (loss) (subtract line 20 from line 5). Enter here and on Form 1040, line 28. ALSO enter on Schedule SE, line 5(a)

10798

SCHEDULE C-1.—Cost of Goods Sold and/or Operations (See Schedule C Instructions for Line 2)

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	
2 Purchases \$ Less: cost of items withdrawn for personal use \$ Balance	
3 Cost of labor (do not include salary paid to yourself)	
4 Materials and supplies	
5 Other costs (attach schedule) <i>Same as 1976 A and B</i>	
6 Total of lines 1 through 5	
7 Less: Inventory at end of year	
8 Cost of goods sold and/or operations. Enter here and on line 2 above	12170

Depreciation▶ See instructions.
▶ Attach this form to your return.

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1973

Name(s) as shown on return

Bruce I. Nocular

Identifying number

This form may be used as an attachment to an individual, partnership, fiduciary, or corporation return. The totals on line 5 below must be included on the corresponding lines of

the regular depreciation schedule. Taxpayers must also complete the Summary of Depreciation provided on the applicable form or schedule.

a. Group and guideline class or description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						3548
2 Depreciation from Form 4832						
3 Depreciation from Form 5006						
4 Other depreciation:			Add			
Buildings			1st			
Furniture and fixtures			Yr			
Transportation equipment						
Machinery and other equipment						
Other (specify)						
Exam Chair	1/2/76	3215	643	θ	5L 10	225
Stand		2855	571	θ	1 10	200
Ultramatic		2160	432	θ	10	151
Projecto Chart		855	171	θ	10	60
Stool		195	39	θ	7	14
Ophthalmometer		1969	394	θ	10	138
Slit Lamp		3000	600	θ	10	210
Tonometer		2535	507	θ	10	177
Lensometer		955	191	θ	10	67
						1242
5 Totals		17739	3548			4790

These totals should also be included on the corresponding lines of your regular depreciation schedule. (For example: If depreciation applies to Schedule F (Form 1040), include the totals on Schedule F, line 59.) Also check the Class Life (ADR) System and/or the Guideline Class Life System box(es) in the depreciation schedule of tax return if either system was elected this taxable year.

Instructions

Note: Instructions for Class Life (ADR) System and Guideline Class Life System are contained in separate instructions for Form 4832 (Class Life (ADR) System) and on Form 5006 (Guideline Class Life System). Also, see Publication 534, Tax Information on Depreciation.

Reasonable Allowance.—You may deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or of property held for the production of income. The allowance is not allowed for stock in trade, inventories, land and personal assets.

Charge off the cost (or other basis) to be recovered over the expected useful life of the property. Depreciation begins when the asset is placed in service and ends when the asset is retired from service.

In computing the basis on which depreciation may be taken for personal property other than livestock, you need not take into account salvage value that does not exceed 10 percent of the cost or other basis of the property. If the salvage value exceeds 10 percent, take only the excess into account. These provisions apply to property acquired after October 16, 1962, and having a useful life of three years or more.

Depreciation Methods.—The various methods of depreciation which may be used under section 167(b) are:

Straight Line Method.—The depreciation for each year is determined by dividing the cost or other basis of the property, by the remaining useful life of the property. The cost or other basis must be adjusted by depreciation allowed or allowable in prior years and salvage value if applicable.

Declining Balance Method.—Apply a uniform rate each year to the remaining cost or other basis of property determined at the beginning of the year, without adjustment for salvage value.

(Continued on back)

Part III Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
(a) From farming (from line 4)			
(b) From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)		10798	
13 Total net earnings or (loss) from self-employment reported on line 12. (If line 13 is less than \$400, you are not subject to self-employment tax. Do not fill in rest of form.)			
14 The largest amount of combined wages and self-employment earnings subject to social security tax for 1973 is		14,100	00
15 (a) Total "FICA" wages as indicated on Forms W-2		0	
(b) Unreported tips, if any, subject to FICA tax from Form 4137, line 9		0	
(c) Total of lines 15(a) and 15(b)		0	
16 Balance (subtract line 15(c) from line 14)		14100	-
17 Self-employment income—line 13 or 16, whichever is smaller		10798	-
18 If line 17 is \$10,800, enter \$864.00; if less, multiply the amount on line 17 by .08		864	-
19 Railroad employee's and railroad employee representative's adjustment for hospital insurance benefits tax from Form 4469		0	-
20 Self-employment tax (subtract line 19 from line 18). Enter here and on Form 1040, line 53		864	-

You may use this space to make any needed computations

VII. Points of Interest Concerning Sale/Purchase of a Practice

A. "Goodwill"

1. The IRS considers "Goodwill" to be a Capital Asset
2. "Goodwill" is not depreciable
3. The costs of "building" the "Goodwill" are deductible as business expenses in the year incurred
4. When the practice is sold/purchased the "Goodwill" is included in the basis of the practice. Therefore, transactions concerning "Goodwill" are subject to taxation according to the rules for Capital Gain/Loss (see Sec. IV.G.)
5. It is clearly then an advantage to the seller to make the "Goodwill" as great a portion of the total cost of the practice as possible

B. Equipment

1. The cost of equipment purchased with the practice is depreciable
2. The seller must report all or part of money received for equipment through Form 4797 as recovery of depreciation which is treated and taxed as ordinary income
3. Clearly then, the seller wishes this amount to be kept to a minimum, while then it is an advantage to the purchaser to have the cost of equipment higher
4. Negotiations probably will revolve about the relative values for the "Goodwill" and equipment with the seller, in most cases, in the stronger position (unless the buyer is in a financially secure position (loaded))
5. The logical approach would be to agree to a third party opinion of the equipment value, and assign the balance to "Goodwill"

C. Costs of Investigating a New Practice

1. These expenses are not deductible as current year expenses
2. These expenses are not depreciable
3. These costs are considered capital expenditure and become part of the basis when the practice is purchased. They are thus recoverable when the practice is sold and subject to taxation under the rules for Capital Gains/Losses (Sec. IV.G.)
4. Discussion
 - a. the remarks above apply to situations where a future practitioner is negotiating with a specific optometrist/seller. A prospective purchaser may not deduct expenses incurred for a "fishing trip" where he randomly visits an area hoping to find a practice for sale
 - b. once negotiations begin, the expenses become deductible as described above
 - c. once an agreement has been reached, the expenses may be deducted in the current year

D. Covenant Not to Compete

1. The cost of the covenant is added to the basis and is subject to the tax rules pertaining to Capital Assets (Capital Gains/Losses, IV.G.)
2. Therefore, the cost of a covenant is not depreciable and the expense may not be claimed as a deduction in the current year's tax

VIII. Bibliography

All references listed below are publications of the United States Department of the Treasury, Internal Revenue Service, and may be obtained at a small (if any) cost by writing to a local office

1. Publication 17. Your Federal Income Tax. "The Blue Book."
This is the single best source for information
on tax preparation
2. Publication 19. Understanding Taxes Program. Teacher's Guide
3. Publication 21. Understanding Taxes. Understanding Taxes
Program
4. Publication 54. Tax Guide for U.S. Citizens Abroad
5. Publication 334. Tax Guide for Small Businesses
6. Publication 463. Travel, Entertainment and Gift Expenses
7. Publication 503. Child Care and Disabled Dependent Care
8. Publication 505. Tax Withholding and Declaration of Estimated
Tax
9. Publication 506. Computing Your Tax Under the Income Averaging
Method
10. Publication 508. Tax Information on Educational Expenses
11. Publication 509. Tax Calendar and Check List
12. Publication 521. Tax Information on Moving Expenses
13. Publication 528. Information on Preparing Your Tax
14. Publication 534. Information on Depreciation
15. Publication 536. Losses from Operating a Business
16. Publication 538. Tax Information on Accounting Periods and
Methods
17. Publication 539. Withholding Taxes From Your Employee's Wages
18. Publication 540. Tax Information on Repairs, Replacements, and
Improvements
19. Publication 544. Sales and Other Dispositions of Assets
20. Publication 550. Tax Information on Investment Income and
Expenses

21. Publication 552. Recordkeeping Requirements and A Guide to Tax Publications
22. Publication 554. Package X - Informational Copies of Federal Income Tax Forms
23. Publication 560. Retirement Plans for Self-Employed Individuals
24. Publication 572. Tax Information on Investment Credit
25. Publication 583. Recordkeeping For A Small Business
26. Publication 735. Teaching Business Taxes. Teacher's Manual
27. Publication 736. Teaching Business Taxes. Student Handbook
28. Publication 792. Teaching Business Taxes Forms Packet
29. Publication 795. Fundamentals of Tax Preparation. College Level. Instructor's Guide
30. Publication 796. Fundamentals of Tax Preparation. College Level. Student Handbook